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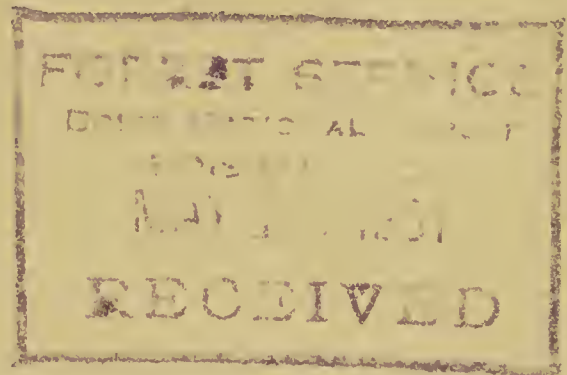
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UNITED STATES DEPARTMENT OF AGRICULTURE

✓ U.S. FOREST SERVICE

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COST  
ACCOUNTING



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JULY 1, 1931





# SERVICE COST ACCOUNTING

## PURPOSE OF COST ACCOUNTING

The purpose of cost accounting is to furnish accounting information for (1) preparation of reports to the Forester, the Secretary of Agriculture, Bureau of the Budget, the Congress, and the public, concerning the financial operations of the Forest Service, (2) activity, functional and unit costs that may assist in efficient and economical use of funds, and (3) use in the control of cost management of resources in relation to the public benefits derived therefrom.

## COST ACCOUNTING OBJECTIVES

In order that cost accounting information may be used for the foregoing purposes it is recognized that the accounting system should embody certain fundamental accounting principles. The more important principles, which are to serve as guides in future developments of the system and are not to be lost sight of by those responsible for obtaining the cost information desired, are set up as objectives and provide for the following: (1) simplicity and flexibility, (2) separation of resources, (3) separation of units of organization, (4) separation of overlapping cost elements, (5) reduction of overhead through direct charging, (6) separation of investment and expense, (7) separation of expense contributing to production of income, (8) cumulative record of investments, (9) depreciation as a cost, (10) adjustment of deferred and accrued charges, (11) cost records to be maintained on forests without regard to appropriations.

Cost accounting records as hereinafter prescribed will be kept by all regional offices, forests, experiment stations, nurseries, Forest Products Laboratory and Tax Inquiry.

Because the work of the Forest Service is so diversified and interwoven, clean cut charging of expenditures recognizing these objectives cannot be made one hundred per cent effective, but by striving for the distinctions enumerated the classification of accounts prescribed may be developed so that it will give information sufficiently accurate for practical use. While accounting depends for its presentation on the use of an exact science, mathematics, the results produced are not necessarily exact, but if tendencies are correctly shown administrative control through use of accounts may usually be as effective as if exactness had been attained.

### *Records to Be Kept*

The following cost accounting records will be kept as required:

1. Activity Expenditures.
2. Activity Costs and Investments.

Activity Expenditures represent a classification of accounts which includes only the actual disbursements for a fiscal period, the total of which must agree with the total of actual disbursements from appropriations as shown by the voucher register.

Activity Costs and Investments deal not only with actual disbursements of a fiscal period, but with all past disbursements as such affect the costs and financial status of the current fiscal period. The basic data for the activity costs and investments are obtained from the activity expenditures. The principles and procedure to be followed in this feature of the system are given under the heading, Activity Costs and Investments.

### ACTIVITY EXPENDITURES

The following list of accounts is designed to provide for building up a proper record of activity expenditures based on actual disbursements and at the same time recognize all the provisions set forth under "Cost Accounting Objectives."

#### ACTIVITY EXPENDITURE ACCOUNTS

##### *Indirect*

- Expense*
1. General Overhead
  2. Timber Sales
  3. Forest Products Sales
  4. Timber Non-revenue
  5. Grazing, C&H, Revenue
  6. Grazing, S&G Revenue
  7. Grazing, Non-revenue
  8. Fish and Game, Revenue
  9. Fish and Game, Non-revenue
  10. Uses, Revenue
  11. Uses, Non-revenue
  12. Recreation, Non-revenue
  13. Water, Non-revenue
  14. Land Adjustments
  15. Maintenance Roads, Forest Development
  16. Maintenance Trails
  17. Maintenance Roads, Forest Highways
  18. Maintenance Headquarters, Improvements
  19. Maintenance, Other Improvements

##### *Investment*

20. Roads & Trails, Forest Development
  21. Roads, Forest Highways
  22. Headquarters Improvements
  23. Other Improvements
  24. Acquisition, Exchange and Gift
  25. Acquisition, Purchase
  26. Reforestation
  27. Nurseries
  28. Timber Surveys and Plans
  29. Grazing Surveys and Plans
  30. Fish and Game Surveys and Plans
  31. Recreation Surveys and Plans
  32. General Surveys and Maps
  33. Timber Stand Improvement
  34. Road and Trail Equipment
  35. Fire Equipment
  36. General Equipment
  37. Stores Account
- Protection*
38. Fire Prevention



- |  |   |
|--|---|
| 39. Presuppression                           | 45. Timber Disposal, Cooperation        |
| 40. Fire Suppression                         | 46. Other Cooperation                   |
| 41. Insect Control & Other Timber Protection | 47. Research, Silviculture and Products |
| <i>Cooperation and Miscellaneous</i>         | 48. Research, Range Suspense            |
| 42. Fire Cooperation                         | 49. Supplies and Other Suspense         |
| 43. Reforestation Cooperation                | 50. Salaries and Wages Suspense.        |
| 44. Forestry Extension, Cooperation          |   |

## GENERAL EXPLANATIONS

The following explanations of objectives and principles are to be observed in carrying out the cost accounting system:

### *Simplicity*

Because of the many activities and organizational characteristics of the Service any accounting system that serves its purpose will require considerable work to carry out. Simplicity is to be striven for in not seeking to record unnecessary information and in presenting the principles on which the accounting system is constructed so that those responsible for recording the data may do so with a clear understanding of what the Forester is endeavoring to accomplish. Activity definitions serve as immediate and necessary guides but an understanding of the objectives behind them will often be of assistance in case of doubt as to how things should be charged in much the same way that proper marking of timber is aided by an understanding of the objective.

### *Flexibility*

The system is flexible in that the Service accounts may be expanded or divided as desired to obtain more detailed information. Work varies by regions and forests to the extent that the degree of detail needed on one unit is not needed on another.

The system is also flexible in permitting of grouping the accounts in more than one way. This is not provided for one hundred per cent in the list of accounts required for the Service uniformly, but may be developed locally as needed. The grouping in the list is essentially to show a separation of expense and investment accounts. It is incomplete in that there are three groups of accounts, Indirect, Protection, and Cooperation and Miscellaneous, that may not properly be classed as either expense or investment. Other groupings that may be made are by resources, revenue and non-revenue, and the accounts may also be kept separately and grouped by units of organization such as regions, forests, or ranger districts, as well as for the entire Service. The completeness of the grouping is facilitated by use of expansion accounts and by making periodic adjustments. For instance, the classi-

fication of the expense and investment accounts is made more complete in the grouping when General Overhead is distributed to all of the other accounts. This adjustment likewise improves a grouping of the accounts on any other basis.

### *Separation of Resources*

Resource, as used herein, does not mean assets, or property of all sorts, but is used to designate the products or source of benefits derived from the National Forests. The derived benefits from the National Forests which are recognized in the Service list of accounts or may be recognized by expansion are classified under the following headings: (1) Timber, (2) Grazing, (3) Water, (4) Recreation, (5) Fish and Game, and (6) Land. There are some expenditures which do not pertain to the resources of the National Forests directly but apply more particularly to similar resources outside the National Forests or to activities which in the main should not be considered as a part of the administration and protection costs of them. These expenditures are grouped under the heading, Cooperation and Miscellaneous.

Accounts for all the recognized forest resources have not been set up in the Service required accounts because they would not draw any direct charges at this time. Such are Recreation, Revenue, and Land, Revenue and Non-revenue. It is intended that they shall be recognized when found desirable through expansion accounts. Those resources that are set up in the Service accounts are recognized only to a degree, and this recognition is given primarily in the accounts falling under Expense Accounts.

Protection expenditures have not been subjected to any separation by resource or any classification recognized in the accounting objectives, except for the separation of investment in equipment. Protection expenditures pertaining to the National Forests will be maintained as a classification in itself until such time as developments may make possible a division of the expenditures according to the established accounting objectives. These expenditures have the aspects of both expense and investment, revenue and non-revenue and in many cases pertain to all of the resources, but it is impracticable to make any of the separations currently, except as to investment in equipment, as a Service requirement. They may be made locally as logical means are found for doing so.

The six classes of resources are not all clear cut and independent but are to some extent interlocking and overlapping. Some rules are needed as a guide in classifying expenditures to the various resources. For the most part these rules are supplied in the definitions of the various activity expenditure accounts but some general explanations are given here to assist in clarifying the situation.

The timber and grazing resources are the most distinct. If the



completeness of the charges to these resources is being attempted by expansion accounts, special use permits pertaining to them should be included in the group with their respective resource accounts. The expenditures on account of the water resource are merged in protection very largely and in special use permits. Protection of watershed areas where timber production is of no importance or a special use permit for a power project would be a proper charge to the water resource. Here also would be charged expenditures in connection with prevention of flood damage and erosion. Practically all special use permits are chargeable, under expansion accounts, to the resources representing products of the forests. There are a few miscellaneous ones, however, in which there is no product that falls within the classes selected, such as cultivation of land, gravel permits, and occupancy permits of various kinds. These permits are considered land resources. Where there appears to be a conflict in the classification of an expenditure to a resource, the predominant product or benefit produced as represented in one of the six resource classifications will govern. In a power permit, power is the product but this is not recognized as a resource in the classification, but water, the immediate source of the power is the classification to be recognized. Fish culture is a Fish and Game resource, although the operation requires the use of water and land.

Recreation, as a resource, must of course mean the things physical or intangible which attract those seeking recreation to the forest. Theoretically, this would include fish and game as well as timber, yet these are included in other resources and may not be included under Recreation. Expenditures charged against the Recreation resource should not, therefore, include expenditures in connection with other specific resource classifications or protection.

Although there are logical reasons for handling it otherwise Fish and Game is considered a separate resource. The Service is charged with the responsibility of game protection and development in the National Forests. The Service activity in fish and game protection is warranted from the standpoint of recreation afforded the public and were it not that fish and game represent a distinct product, as well as in a few instances an economic product from which the Service derives a revenue and for which a separate accounting is desirable, it might well be classed as a Recreation resource.

### *Separation of Units of Organization*

Expenditures naturally divide themselves by the major administrative units for which accounts are maintained, such as regions and forests. Some adjustments are necessary, however, to make the division complete as in the case of interregional and interforest details. The system does not specifically recognize expenditures by branch administrative units such as Range Management, Forest Management, Lands,

etc., although the accounts may be grouped to indicate these divisions to some extent.

A division of the expenditures by ranger districts on the forest may also be obtained at the discretion of the regional forester or forest supervisor, the record being kept in the supervisor's office.

### *Separation of Overlapping Cost Elements*

It is of first importance to allocate expenditures directly where possible to the activity expenditure accounts. There are, however, items or elements of expenditure that are common to more than one account. For instance, there may be supervision of timber sales, supervision of grazing, etc., and there may also be supervision which applies to all activities but which it is not practicable to separate and charge currently to the activities affected. In the first two instances, the charge will be to the activities affected and in the latter instance the charge will be to General Overhead.

There are a number of overlapping elements of cost of this nature which are large in the aggregate and concerning which information may be desired from time to time not only as to the total but the amount entering into each activity. The most important of these are: (1) Supervision, (2) Headquarters, (3) Mail and Supplies, (4) Transfer of Station, (5) Maintenance Personal Equipment, (6) Maintenance Government Equipment, (7) Minor Surveys and Maps, (8) Meetings, (9) Public Relations, (10) Training, (11) Travel.

These accounts are not only overlapping as between activity accounts but also as between themselves. For instance, at a meeting any one or all of the overlapping activities or elements might receive attention and hence time could be charged to more than one caption. Training might be taken up for consideration at a meeting but also deal with training in public relations work. Likewise travel time and expense in connection with a meeting will involve all of these divisions. It will usually be found impracticable to obtain records on all the divisions at one time. When information is desired on any of these overlapping elements, only those should be selected for study at one time that will involve the least conflict. When the desired information is obtained, they may be discontinued. One of two methods, depending on the information desired, may be used in obtaining expenditures for an overlapping element of cost: (1) by treating it as a detail or expansion account under each regular account and summarizing to obtain the total for the element, (2) by treating it as one supplemental or memorandum account to receive all charges of that nature which are currently charged to the activities concerned: Thus supervision of Timber Sales, Grazing, etc., while being charged to those accounts, would also be charged to the memorandum account, "Supervision."



### *Reduction of Overhead Through Direct Charging*

This will be accomplished chiefly by a wider use of the service report by supervisory officers as well as by those doing direct work on activities. All members of the forest personnel will distribute their time and expense, making the charges directly to the activities affected when practicable whether such time be supervisory, inspection or direct work. Employees of the regional office who do direct work on the forests, such as surveying, reconnaissance, etc., will distribute their time and expenses in the same manner, except that they will not distribute their supervisory work to the forest but to the region. Those doing chiefly supervisory work in the regional office will make such use of the service report as is necessary to establish the distribution of their time and expenses to activities on a percentage basis for the region.

### *Separation of Investment and Expense*

Investment, as herein used, pertains to those expenditures the benefits from which extend over a period of more than a year. Such expenditures are usually referred to as assets. The purpose of setting up investment accounts is to separate them from the current operating expense. Investments apply to tangible property such as constructed improvements, equipment, and land acquired through expenditure of funds as well as intangibles such as grazing surveys and plans, timber surveys and plans, etc. While forest lands and timber in general represent assets, they are not to be taken up or included in the records as investments, if there has been no outlay for them. Such land as is acquired through procedure outlined under accounts Nos. 24 and 25 will be considered investment and so taken up in the records. The value of timber alone exchanged for land and in the case of land for land, the value of the merchantable timber on the tract exchanged (minus the value of merchantable timber on the land acquired) will be considered as investment in the land acquired. Expenditures for purchase of lands or in connection with exchange of lands are to be considered as investments. Some investments such as constructed improvements, grazing surveys and plans, etc., will depreciate in value, while others such as land will usually not.

It is not intended that the distinction as to investment expenditures be drawn so fine as to make for burdensome accounting. Minor expenditures of an investment nature for which a continuing record is not essential and which will not affect current operating expense materially may be disregarded as an investment and charged in to current expense either against the resource activity expense account benefited, to maintenance or general overhead as may be most appropriate. Minor improvements investments when amounting to considerable in the aggregate may be grouped as "Miscellaneous Small Projects" as may be directed by the forest supervisor. Strictly, an investment is repre-

sented by an expenditure the benefits from which will last longer than the current fiscal period and is not limited by the amount of the expenditure, but practically such an interpretation need not be strictly adhered to. Reconstruction of an existing improvement should be considered an investment if of a material amount, it being assumed that an appropriate decrease in the cost of the original investment will have been made through application of depreciation. Improvements acquired without cost including improvements constructed under special use and transferred to the Government will be taken up as an investment at their appraised value when actually maintained and used, and depreciation applied as for other improvements.

Expense pertains to those expenditures the benefits from which are obtained during the current fiscal period. As in the case of investment expenditures the distinction is not to be drawn so fine as to be burdensome. Some expense accounts, such as Timber Sales, may include expenditures of a character and in sufficient amount, as in the case of marking of a considerable amount of timber that will not be cut during the period, as to warrant its elimination from expense when costs rather than expenditures are sought. Such items are referred to as deferred charges and are treated similarly to investments in writing their cost into subsequent fiscal periods. In the activity expenditure records such items are, however, to be treated as expense.

From the foregoing it may be seen that expense accounts are not always one hundred per cent current expense and adjustments may sometimes be necessary at the end of the fiscal period to make them more nearly represent current cost.

Protection, in the Service list of accounts, is a mixture of expense and investment and is to be so maintained, except for equipment, in the activity expenditure record. Reforestation and Nurseries are listed as investments and this is proper in the present stage of development of the National Forests, but eventually these activities will take on the aspect to some extent if not entirely of current expense. This will be true when reforestation is on the basis of replacing current cutting or current losses from fire.

#### *Separation of Expense Contributing to Production of Income*

In the activity expenditure accounts this separation is made only for resource expense accounts for which a charge is made, either directly or indirectly in their utilization. The fact that no direct charge may be made for a sawmill permit, a pasture or corral permit, is not the governing factor in deciding whether expenditures in connection with such permits should be classed as revenue expenses. If their use is in connection with the utilization of a resource for which a charge is made, the expenditures in connection with such permits should be classed as revenue expenses. No fee is charged for a permit on account



of private land, but expenditures in connection with such a permit should be regarded as revenue expenses since the arrangement is considered desirable for efficient utilization of forest grazing lands. Expenditures in connection with marketing timber exchanged for land will be revenue expenses of timber sales and not an investment in acquired land, since the value of such timber is indirectly the investment in land. The necessary adjustment to show this will be made when Activity Cost and Investment records are maintained. Expenditures in connection with making the exchange aside from disposing of National Forest timber, should, however, be charged to the investment account, Acquisition, Exchange or Gift.

#### *Cost Records to be Maintained on Forests Without Regard to Appropriations*

Each forest or unit is responsible for accumulating and compiling the activity expenditures pertaining to it. This will permit the forest supervisor to make such expansions and apply such special features of the system as local conditions warrant. Activity expenditures are to be accumulated without making any separations of expenditures by appropriations.

#### *Cooperation and Miscellaneous*

In the list of required Service accounts there are a number of expenditure accounts which represent activities that are not properly a cost to the Service for the administration and protection of the National Forests, although some of the work is actually done by the forest personnel and forest funds expended. The greater part of these expenditures in the Service, however, are made in the regional office, at experiment stations and in the Washington office. The part that is done on the forests is usually in the nature of cooperation in which the Service cooperates on another individual's or agency's job instead of receiving their cooperation on a Service job. Another characteristic of these accounts, particularly the cooperative accounts, is that the expenditures do not usually result in the production of benefits directly from the National Forest resources or in the development of them.

Cooperative deposits for the maintenance and construction of Service improvement projects will usually be considered as contributing to Service resource costs, since such expenditures are for the benefit of National Forest resources, but maintenance of improvements that do not belong to the Service or in which it has no equity, as in the case of a Reg. G-15(b) improvement, will not be considered as contributing to Service resource costs and will be charged as a cost of cooperation until the improvement becomes Service property. Expenditure of funds deposited for cooperative brush disposal on timber sales or on private lands is an expense of the timber sale operator and merely represents work which the Service does for him and which he would otherwise be

required to do. Deposits made for protection of private lands within or adjacent to the National Forests also represent expenditures for work which the Service does for others and when practicable should be charged to Fire Cooperation. Since such funds are not always used directly for the purpose intended, but may be offset by use of an equal amount of Service funds for the purpose and applied in conjunction with other Service work, a division of the charges currently is not usually practicable. However, the forest protection accounts should be adjusted at the end of the fiscal period by transferring from them to Fire Cooperation the amount of cooperative deposits received during the fiscal year for such work, the deduction from Fire Suppression and Presuppression being in proportion to the division made in the funds collected for these purposes. Undeposited cooperative funds (funds appropriated by counties or others against which the Service may incur expense), may be included in the protection accounts or Fire Cooperation, whichever is appropriate.

Although fire control costs of the Service under a cooperative agreement may be greater or less on private lands during the year than the amount collected under the agreement, the regular Service fire control costs will be considered as being reduced only by the amount of the collections. If, through mutual understanding, forest and State or other officers cooperate in fire control on lands for which the other party is responsible and no adjustment in expenditure is made between the Service and such agencies, the Service will consider its expenditures in such cases as its own fire control costs on the assumption that they are offset by the other agencies' cooperation in fire control on National Forest lands.

The primary purpose of the Cooperation accounts is to segregate the costs of Service activities that do not properly belong in the National Forest resource costs.

The Service cooperates to a considerable extent with other bureaus of the Government in performing work for which they are responsible, such as reading snowscales, stream measurements, extermination of predatory animals, gathering lumber statistics, etc. The Service receives benefits from these expenditures, is usually the instigator of such work and should ordinarily absorb the costs in forest resource accounts. When the cooperation is clearly of no benefit to National Forest resources it should be charged as Cooperation.

#### DEFINITION OF ACTIVITY ACCOUNTS

The following definitions are intended to assist in making a correct current distribution of expenditures to the required activity expenditure accounts. They will be of particular value to the new man and temporary employee who is not in the Service long enough to become acquainted with the principles on which the distribution is based. It should be the aim of permanent employees to acquire an understanding



of these principles, since an analysis on the basis of the principles that govern will often give more correct results than following arbitrarily the activity definitions. In other words, it is believed that employees distributing their time and expenses can do so more accurately when the accounting results to be attained are understood than to be guided merely by detailed activity definitions which attempt to cover every contingency and are therefore apt to be expressed in too general terms when applied to a specific circumstance. However, for practicability in accounting it sometimes becomes necessary to disregard a strict application of the principles. Good judgment coupled with an understanding of the desired ends will aid materially in attaining the results desired.

In the activity definitions the more important overlapping elements of costs are defined under the first account, General-Overhead. These same elements apply in all other activities in varying degrees, and to save space definitions of them are not repeated under each activity. However, in order that they may not be overlooked, attention is directed to them under each activity by merely including as representative work or jobs the words, "General Overhead elements." They are not to be considered separate accounts except upon issuance of specific instructions to that effect.

Wherever the terms "expenditures" or "expenses" are used in the definitions, they should be understood as including all classes of expenditures such as value of time of employees, temporary labor, traveling expenses, materials, supplies, freight, hauling, etc. However, attention is called to the principle that the cost of semiexpendable and nonexpendable equipment is not to be treated as a charge against the activity for which purchased but must be charged to the appropriate equipment accounts.

The cost of semiexpendable and nonexpendable equipment will include the purchase price or manufacturing cost, assembling, freight and hauling charges, when practicable, necessary to get the equipment to the forest or other unit. Ordinarily it will not be practicable to include transportation charges on small equipment in the cost of such equipment, the charges being more readily made to the activities concerned. Cost of equipment should not include transportation charges from supervisor's headquarters or railroad points in or near forests to the job on which used, but may include transportation charges on purchased equipment from regional office headquarters to the forest. Time spent in purchasing equipment will not be included as a cost of the equipment but as a cost of the activity for which purchased, unless practicable to segregate the time in purchasing as in the case of spending considerable time in purchasing large and expensive equipment.

## INDIRECT ACCOUNTS

### 1. General Overhead.

Includes expenditures which cannot practicably be charged currently to other activity accounts. The classes of work or expenditures that are not direct but are incident to other activities should be charged to those activities; as, transfer of station of a project timber sale employee would be charged to Timber Sales. When the class of work or expenditure is of a general nature as not to admit of allocation directly to other activities, it will be charged to General Overhead; as, transfer of station of a district ranger. Representative expenditures:

(a) Supervision. Includes expenditures in superintending, directing, and inspecting the work of others, and giving out instructions, by employees above the rank of ranger or by a ranger acting in a supervising capacity for the supervisor when such expenditures are general in nature and cannot be charged directly to the activity or project affected. It will not include time of clerks and others unless acting in a supervisory capacity.

(b) Headquarters. Includes expenditures for rent, heat, light, water, janitor service, post-office box rent, telephone rental and tolls, telegrams, stationery, forms, expendable office supplies, and other similar expendable property and supplies necessary at headquarters; miscellaneous office work at official station or town in which station is located, such as reading instructions, miscellaneous study time on manuals and handbooks, filing correspondence; miscellaneous dictation, typewriting, account and record keeping and other clerical work; cleaning barn, shoveling snow, raking yard, mowing lawn, etc. No expenditures will be charged here which can practicably be charged directly to the activity benefited. Maintenance of station improvements will be charged to Maintenance of Headquarters Improvements.

(c) Mail and Supplies. Includes expenditures of officers in securing mail, supplies and equipment, but not the purchase price thereof. Special trips in connection with a given activity should be charged direct to the activity or project benefiting.

(d) Transfer of Station. Includes authorized expenditures incident to transfer of a forest officer from one station to another including transfers between winter and summer stations; also includes expenditures for crating, transportation and drayage on personal effects. Expenses incident to transfer of project men should be charged directly to the activity or project involved.

(e) Maintenance Personal Equipment. Includes expenditures incident to upkeep of personally-owned horses, motor vehicles and other equipment used in official work; cost of forage whether purchased or grown; hauling horse feed; hunting for lost horses; expenditures for



damages to, and loss or destruction of horses or other personally-owned equipment. Charge should not be made here when a direct activity charge can be made as is the case of hunting for a lost horse being used on a specific activity or project.

(f) Maintenance Government Equipment. Includes expenditures for care and maintenance of animals, maintenance and operating costs of motor vehicles, and care and repair of equipment, whether expendable, semi-expendable or non-expendable; checking property incident to resignation or transfer of station, etc.; inventory of tools and equipment; investigating and prosecuting property trespass. Maintenance and operating costs of equipment used on specific activities should be charged direct to the activities or projects benefiting whenever practicable.

The cost of maintenance and upkeep of pack stock, teams, and motor vehicles used on only a few activities but which cannot be distributed to these activities until a later date will not be charged here but to "Supplies and Other, Suspense", and distributed later on the basis of service reports covering the use of such equipment.

(g) Minor Surveys and Maps. Includes expenditures incident to making minor surveys and maps, boundary surveys and boundary posting of an incidental character, map corrections and revisions, assembling and recording data on land status of a general character, copying field notes for surveys, and compilation of any geographic or map data, when such expenditures are not large or of a project nature and more properly to be treated as a charge to the investment account, "General Surveys and Maps."

(h) Meetings. Includes expenditures incident to attendance at ranger, supervisor or other miscellaneous service and public meetings when not chargeable direct to specific activities or projects.

(i) Public Relations. Includes expenditures for this class of work pertaining to any forest activity which cannot be charged directly. General forestry publicity and public relations work not pertaining to the national forest resources will not be charged to General Overhead or any of the resource activities but to the appropriate account under Cooperation and Miscellaneous.

(j) Training. Includes expenditures which cannot be charged directly to specific projects, and covers both time and expense for training of Service personnel in training positions as well as time spent on Service study courses. (See also instructions under "Distribution of time.")

(k) Travel. Includes expenditures for both time and expenses incurred in official travel which cannot be charged directly to activities or projects. (See also instructions under "Distribution of Time.")

(l) Miscellaneous. Includes expenditures not otherwise classi-

fied; such as, miscellaneous office work away from headquarters, reports on seed crops and collection of seed when not of sufficient importance to warrant charging to the investment account No. 26—Reforestation; expenditures on account of delays caused by storms; trips with visiting officers, trips from winter station to summer stations for inspection of premises; transporting an injured officer to the doctor; searching for a lost employee or visitor; expenditures by new man in going over district with another Forest officer for the purpose of acquiring a general knowledge of the country.

## EXPENSE ACCOUNTS

### 2. Timber Sales.

Includes expenses of commercial sales, sales at cost (S-22) administrative use and timber settlement, in which the product may be reduced to feet board measure and from which income is received. Representative expenses: (a) General Overhead elements, (b) Negotiation of sales, (c) Estimate and survey, including maps, (d) Appraisal, (e) Advertising, (f) Marking, (g) Scaling, (h) Brush Disposal, (i) Boundary posting, (j) Trespass and law enforcement, (k) Administration, including cruising and examination of cut-over areas for penalty scale and compliance with contract (l) Investigations, (m) Free special use permits issued in connection with this activity whether a regular part of the Sale agreement or covered by separate permit.

Estimate and surveys (c) pertain primarily to individual sales but may also cover minor estimates and surveys for timber sale planning purposes. When made in connection with large sales where it is estimated the cutting will extend over a period of approximately two years or more, it should be treated as a project and charged to the investment account, Timber Surveys and Plans; likewise for (d) Appraisal. Brush disposal work done by the Forest Service for which cooperative money is deposited will be charged to Timber Disposal Cooperation, but supervision such as is given brush disposal by the Service when performed by the operator will be charged to Timber Sales. Only such supervision as is paid for by the Operator will be charged to Timber Disposal Cooperation. Investigations (l) as distinguished from Research, include small investigative projects such as growth studies conducted by local men, for local use. When conducted on a large scale primarily for local plan purposes, the charge should be to investment account, Timber Surveys and Plans. The incidental value of the data for other than local use will not be considered.

### 3. Forest Products Sales.

Includes expenses of sale of timber products from the national forests in which the product is not reduced to feet board measure and from which income is received, such as Christmas trees, ornamental stock, wild seedlings, turpentine sales, shrubs, roots, cascara bark, etc. Rep-



representative expenses: (a) General Overhead elements; (b) Negotiation of sales, (c) Estimate and Surveys, including maps; (d) Appraisal, (e) Advertising, (f) Marking, (g) Measuring or counting, (h) Brush disposal, (i) Boundary posting, (j) Trespass and law enforcement, (k) Administration, (l) Investigations, (m) Free special use permits issued in connection with this activity, whether a regular part of the sale agreement or covered by separate permit.

Explanations made under foregoing account apply here also.

#### 4. Timber, Non-revenue.

Includes expenses of disposal of timber and forest products from the national forests from which no income is directly derived. Representative expenses: (a) General Overhead elements, (b) Free use, (c) Minor free administrative use incident to removal of timber for improvement of stand, (d) Timber settlement involving no payment for the timber.

Large disposal projects under free administrative use for improvement of the timber stand will be charged to the investment account, Timber Stand Improvement.

#### 5. Grazing, Cattle and Horses, Revenue.

Includes expenses incident to grazing cattle, horses and swine on the national forests and from which an income is derived. Representative expenses: (a) General Overhead elements, (b) Taking applications, (c) Counting stock, (d) Issuing permits and notices, (e) Appraisals, (f) Salt enforcement, (g) Inspecting ranges, (h) Posting notices, (i) Reports, maps and surveys, (j) Trespass and law enforcement, (k) Investigations, (l) Permits on account of private lands, (m) Extermination of predatory animals when for protection of this class of stock, (n) Free special use permits issued in connection with this activity.

Current appraisal work will be charged here but when undertaken on an extensive scale will be treated as a project and charged to investment account, Grazing Surveys and Plans. Investigations, as distinguished from Research, include small investigative projects such as grazing quadrat and fenced enclosure studies and collection of range forage plants for identification conducted by local men for local use. When conducted on a large scale for local plan purposes, the charge should be to investment account, Grazing Surveys and Plans. Unit allotment plans when made as a current part of grazing administration will be charged here but when undertaken on an extensive scale in any one year they will be treated as a project and charged to Grazing Surveys and Plans.

#### 6. Grazing, Sheep and Goats, Revenue.

Includes expenses incident to grazing sheep and goats on the national forests and from which an income is derived. Representative ex-

penses: (a) General Overhead elements, (b) Taking applications, (c) Counting stock, (d) Issuing permits and notices, (e) Appraisals, (f) Salt enforcement, (g) Inspecting ranges, (h) Posting notices, (i) Reports, maps and surveys, (j) Trespass and law enforcement, (k) Investigations, (l) Permits on account of private lands, (m) Extermination of predatory animals when for protection of this class of stock, (n) Free special use permits issued in connection with this activity.

Explanations made under account No. 5 apply here also.

#### 7. Grazing, Non-revenue.

Includes expenses incident to grazing all classes of stock on the national forests from which no income is derived. Representative expenses: (a) General Overhead elements, (b) Exempt stock, (c) Free crossing permits when not in connection with stock under paid permit.

#### 8. Fish and Game, Revenue.

Includes expenses incident to study, protection and development of fish and game on the national forests from which an income is derived. Representative expenses: (a) General Overhead elements, (b) Trespass and law enforcement of national and state laws, (c) Capture and disposal, (d) Game census and reports, (e) Extermination of predatory animals when for protection of fish and game, (f) Free special use permits issued in connection with this activity.

Usually there will be no charges to this account. When game which is the property of the United States is disposed of and the income goes into the Forest Reserve Fund, as in the case of certain national game refuges, expenses incident thereto will be charged here. Hunting and fishing permits, however, from which the government receives the income and which are issued as special use permits will be charged to Uses, Revenue.

#### 9. Fish and Game, Non-revenue.

Includes expenses incident to study, protection and development of fish and game on the national forests from which no income is derived. Representative expenses: (a) General Overhead elements, (b) Trespass and law enforcement of national and state laws, (c) Capture and disposal, (d) Game census and reports, (e) Extermination of predatory animals when for protection of fish and game.

The capture and disposal of surplus game, the expenses of which are met by cooperators, will be charged here, as well as the disposal of game paid for out of Service funds, since the remaining game benefits from the disposal.

#### 10. Uses, Revenue.

Includes expenses pertaining to special use work from which income is or will be derived either directly or indirectly whether or not permit issues. Representative expenses: (a) General Overhead elements, (b)



Examination, mapping, surveying and reporting, (c) Showing areas to prospective permittees, (d) Permits and notices, (e) Trespass and law enforcement, including state sanitary laws.

Water power permits from which the Service is credited with the income will be charged here. Federal Power Commission cases will be charged to the account, Uses, Non-revenue, since the Service is not credited with the income, although benefits from national forest resources are involved.

#### 11. Uses, Non-revenue.

Includes expenses incident to special use and rights of way work on the national forests from which no income is derived, including Interior Department easements and Federal Power Commission cases. Representative expenses: (a) General Overhead elements, (b) Examination, mapping, surveying, and reporting, (c) Showing areas to prospective permittees, (d) Permits, (e) Trespass and law enforcement, including state sanitary laws in connection with uses. The cost of free special uses issued in connection with a resource for which a charge is made will be charged to the resource account and not to "Uses, Non-revenue." For instance, the cost of a free permit for a corral or cabin in connection with a Revenue Grazing Permit is a proper charge to the grazing account.

#### 12. Recreation, Non-revenue.

Includes expenses incident to use of national forests for recreation from which no income is derived. Representative expenses: (a) General Overhead elements, (b) Cleaning up public camp grounds, (c) Enforcement of state sanitary laws when not in connection with special use permits, (d) Counting, registering and reporting number of visitors to forests when not in connection with specific fire prevention measures, (e) Minor recreation plans.

Most of the expense in connection with this resource falls under more specific accounts, such as free recreation uses, improvements and recreation surveys and plans.

#### 13. Water, Non-revenue.

Includes expenses incident to water resources of the national forests. Representative expenses: (a) General Overhead elements, (b) Survey of water resource, (c) Snowscale reading, stream measurements, rain gauge readings and reports, (d) prevention of flood damage and erosion.

Use and power permits, involving use of water, will be charged under Uses, but when segregated by expansion accounts may be grouped under this heading when determining resource costs.

#### 14. Land Adjustments.

Includes expenditures incident to lands activities necessary for

proper classification of lands within the national forests and disposal of non-forest lands. Representative Expenditures: (a) General Overhead elements, (b) Expenditures, for homestead and mineral claims work, entry surveys, land classification, eliminations, and land status work pertaining exclusively to foregoing activities.

#### 15. Maintenance Roads, Forest Development.

Includes expenses incident to repair and maintenance of all roads embraced in the forest road development system, which are, of primary importance for the protection, administration and utilization of the National Forests. Representative expenses: (a) General Overhead elements, (b) Maintenance expenditures on this class of roads, and maintenance of equipment used on maintenance work, (c) Maintenance of bridges on such roads, (d) Replacement of Road Signs.

#### 16. Maintenance Trails.

Includes expenses incident to repair and maintenance of all trails and ways in and adjoining the national forests. Representative expenses: (a) General Overhead elements, (b) Maintenance expenditures on trails and ways including maintenance of equipment used in such work, (c) Maintenance of bridges on such trails and ways, (d) Replacement of trail signs.

#### 17. Maintenance Roads, Forest Highways.

Includes expenses incident to maintenance of roads embraced in the Forest Highway System, and roads of primary importance to the State, counties, or communities within, adjoining, or adjacent to the National Forests. Representative expenses: (a) General Overhead elements, (b) All maintenance expenditures on this class of roads.

This work is usually done by the Bureau of Public Roads. The expenditures to be reported here will include all those reported by that Bureau to the Forest Service including all equipment charges. These expenditures of the Bureau will be taken up in the regional office as a regional charge to this account.

#### 18. Maintenance Headquarters Improvements.

Includes expenses incident to repair and maintenance of permanent improvements at both summer and winter headquarters stations of yearlong employees, including dwellings, barns, fences, etc. Representative expenses: (a) General Overhead elements, (b) Maintenance expenditures on this class of improvements, (c) Minor betterment expenditures, (d) Maintenance of station grounds, such as landscaping and grading of a maintenance character rather than original development which should be charged to No. 22—Headquarters Improvement.

Expense incident to maintenance of temporary stations, including lookout stations, will be charged to Maintenance Other Improvements. Maintenance of improvements constructed at a headquarters station primarily for storage of road equipment will be charged to Mainte-



nance Other Improvements.

19. Maintenance Other Improvements.

Includes expenses incident to maintenance of all other national forest improvements not included in foregoing classes of improvements, such as improvements at temporary stations, lookout stations, telephone lines, fire breaks of a permanent nature, scaler's cabins, storage houses for road equipment whether at headquarters stations or not, range and public service improvements. Representative expenses: (a) General Overhead elements, (b) Expenditures for repair and maintenance of such improvements.

INVESTMENT ACCOUNTS

20. Roads and Trails, Forest Development.

Includes expenditures incident to the construction of roads embraced in the forest road development system and trails and ways which are of primary importance for the protection, administration and utilization of the national forests. Representative expenditures: (a) General Overhead elements, (b) Construction expenditures for these roads, trails and ways, (c) Reconstruction and betterments of this nature, unless of such minor importance as to warrant treating as maintenance, (d) Construction or reconstruction of bridges on these improvements, (e) Original Cost and expense in connection with road and trail signs.

The cost of bridges amounting to \$500 or more in the case of roads and \$100 or more in the case of trails, while being considered a part of the road or trail on which located, should be ascertained separately for depreciation purposes and individual investment record maintained for each such bridge.

No charges will be made to this account that cannot be made to an individual project when so directed by the Forest Supervisor, or to a group, "Miscellaneous Small Projects." Replacement of road and trail signs will be charged to the proper maintenance activity or project. Time and expense in connection with General Plans should be charged to the proper R. & T. Maintenance accounts when it is not possible to allocate the expense to definite construction projects. Such a charge to Maintenance is made on the theory that the expense was incurred in maintaining the Road and Trail system as a whole.

21. Roads, Forest Highways.

Includes expenditures incident to the construction of roads embraced in the Forest Highway System, and roads of primary importance to the State, counties, or communities within, adjoining, or adjacent to the National Forests. Representative expenditures: (a) General Overhead elements, (b) All construction costs on this class of roads.

This work is done almost entirely by the Bureau of Public Roads. The expenditures reported here will cover all those reported by that Bureau to the Forest Service, including all equipment and administration charges, whether such are distributed to individual projects or not. These expenditures of the Bureau will be taken up in the regional office as a regional charge to this account. Incidental Expenses incurred by the Forest should be treated as a regional office charge and transferred to that office at the end of the fiscal year. In any case where highway funds are spent by the Forest Service, the expenditures will be taken up in the forest records in the regular manner.

## 22. Headquarters Improvements.

Includes expenditures incident to the construction of permanent improvements at both summer and winter headquarters stations of yearlong employees, including dwellings, barns, fences, etc. Representative expenditures: (a) General Overhead elements, (b) Construction expenditures for this class of improvements, (c) Reconstruction and betterment expenditures, unless of such minor importance as to warrant treating as maintenance.

Expenditures incident to construction of temporary stations, including lookout stations, will be charged to Other Improvements. Improvements constructed at a headquarters station primarily for storage of road equipment will be charged to Other Improvements.

No charges will be made to this account that cannot be made to an individual project when so directed by the Forest Supervisor, or to a group, "Miscellaneous Small Projects." General plans may be charged to General Overhead when they cannot practicably be charged to projects.

## 23. Other Improvements.

Includes expenditures incident to construction of improvements other than the foregoing, such as range, public service, improvements at temporary stations and lookous stations, telephone lines, fire breaks of a permanent nature, scalers' cabins, storage houses for planting equipment or for road equipment whether constructed at headquarters stations or not, and other projects that are not otherwise classified, such as larkspur eradication, rodent control, range reseeding, etc. Representative expenditures: (a) General Overhead elements, (b) Expenditures for construction or completion of such improvements and projects, (c) Reconstruction and betterment, unless of such minor importance as to warrant charging to appropriate maintenance accounts.

No charges will be made to this account that cannot be made to an individual project when so directed by the Forest Supervisor, or to a group, "Miscellaneous Small Projects." General plans will be charged to General Overhead when they cannot be practicably charged to projects.



#### 24. Acquisition, Exchange or Gift.

Includes expenditures incident to acquirement of land for national forest purposes through exchange of land for land, timber for land, or by gift or proclamation. Representative expenditures: (a) General Overhead elements, (b) Location, examination, appraisal, survey and reporting on lands to be exchanged or acquired whether exchange or acquirement actually accomplished or not and (c) Supervision of Timber right cuttings.

In the case of exchange of timber for land, usual timber sale administration expense pertaining to disposal of timber will be charged to Timber Sales. In case of exchange of land on one forest for land on another forest, or timber on one forest for land in another forest, the expenditures incident to making such exchange will be transferred, when necessary, at the end of the fiscal period to the forest acquiring the land.

#### 25. Acquisition, Purchase.

Includes expenditures incident to acquirement of land for national forest purposes by direct purchase, including purchase price and fees pertaining thereto paid for by the Forest Service. Representative expenditures: (a) General Overhead elements, (b) Location, examination, appraisal and survey of lands which the Service acquires or seeks to acquire, whether acquirement is actually accomplished or not, and (c) Supervision of timber-right cuttings.

#### 26. Reforestation.

Includes expenditures incident to field seeding and field planting on the national forests, and collection of seed for national forest use. Representative expenditures: (a) General Overhead elements, (b) All direct expenditures for field seeding and field planting, (c) Examination of areas for prospective planting, (d) Examination and reports on planted areas, (e) Reforestation work in connection with "Sale Area Betterment" as defined in act of June 9, 1930 (Pub. No. 319).

Expenditures for seed collection, when of material amount, will be transferred at the end of the fiscal period to the unit for which collected or that will have custody of the seed. Minor work in connection with Reports on Seed Crops, Seed Collection, etc., should be charged to No. 1 General Overhead. Extraction plants and their maintenance will be charged to the appropriate improvement accounts.

#### 27. Nurseries.

Includes expenditures incident to the development and operation of nurseries. Representative expenditures: (a) General Overhead elements, (b) Expenditures for labor, supplies and materials.

Costs incident to maintenance and construction of nursery improvement accounts. Nurseries, whether located on forests or not will be



treated as separate units of organization and reported separately from forest expenditures.

#### 28. Timber Surveys and Plans.

Includes expenditures incident to making estimates and preparing maps of national forest timber resources and making forest management plans for the timber resource. Representative expenditures: (a) General Overhead elements, (b) Estimating, mapping and appraisal for sales to run approximately two years or more, (c) Estimating, mapping, growth studies, etc., in connection with preparation of management plans, (d) Studies of cut-over areas for management plan purposes.

#### 29. Grazing Surveys and Plans.

Includes expenditures incident to range reconnaissance and range management plans for the national forest grazing resource. Representative expenditures: (a) General Overhead elements, (b) Expenditures for range reconnaissance and plans, (c) Studies of forage growth for plan purposes when conducted on project scale.

Unit allotment plans unless undertaken on such a large scale as to materially affect current costs, will be charged to the appropriate grazing expense accounts.

#### 30. Fish and Game Survey Plans.

Includes expenditures for fish and game surveys and plans on the national forests when on such a scale as to warrant charging as an investment rather than as an expense. Representative expenditures: (a) General Overhead elements, (b) Survey and preparation of plans on project scale.

#### 31. Recreation Surveys and Plans.

Includes expenditures for general surveys and plans for national forest recreation resource when on such a scale as to warrant charging as an investment rather than as an expense. Representative expenditures: (a) General Overhead elements, (b) General surveys and plans, (c) Extensive surveys of summer home sites in advance of issuance of permits.

Surveys of summer home sites should not be charged here when the sites will largely be taken up during the current fiscal period, or when the cost is so small as to not warrant carrying the charges as an investment.

#### 32. General Surveys and Maps.

Includes expenditures for general surveys for national forest map-making purposes rather than for any particular resource. Representative expenditures: (a) General Overhead elements, (b) Expenditures in connection with collecting data and making base maps of forests,

conducted on project scale, the benefits from which will last over a period of years and benefit all activities, (c) Boundary posting and relocation when on a project scale, (d) Land status work of a project nature.

Minor current expenditures in connection with revision of forest base maps and boundary surveys and posting of an incidental character should not be charged here but to General Overhead.

### 33. Timber Stand Improvement.

Includes expenditures in connection with Timber Stand Improvement on National Forests when stand improvement is the prime objective. Also, stand improvement incident to timber sales when it is practicable to separate the costs from such operations (excepting cooperative brush disposal properly chargeable to account No. 46—Timber Disposal Cooperation).

Representative expenditures: (a) General Overhead elements, (b) Free administrative use when on a large scale, (c) Thinnings, not disposed of by sale, (d) Stand improvement in connection with "Sale Area Betterment" as defined in act of June 9, 1930.

### 34. Road and Trail Equipment.

Includes expenditures for semi-expendable and non-expendable equipment purchased or manufactured for the maintenance and construction of forest roads, trails and ways. Representative expenditures: (a) Expenditures for purchase price or manufacturing cost and delivery including assembly, costs for semi-expendable and non-expendable equipment; service animals and motor vehicles.

Individual pieces of equipment costing \$100.00 or more should be so indicated in order that separate investment records may be set up for each piece and classed as "Road and Trail Equipment, Large." Equipment costing less than \$100.00 will be carried in the investment records under the group title "Road and Trail Equipment, Small."

Equipment purchased by the Bureau of Public Roads for its own projects should not be included.

### 35. Fire Equipment.

Includes expenditures for semi-expendable and non-expendable equipment secured for fire prevention, presuppression, fire suppression and fire cooperation, which becomes the property of the government. Representative expenditures: (a) Purchase or manufacturing cost and delivery, including assembly costs of semi-expendable and non-expendable equipment; service animals and motor vehicles.

Individual pieces of equipment costing \$100.00 or more should be so indicated in order that separate investment records may be set up for each piece and classed as "Fire Equipment, Large." Equipment costing less than \$100.00 will be carried in the investment records



under the group title "Fire Equipment, Small."

### 36. General Equipment.

Includes expenditures for semi-expendable and non-expendable equipment for all activities for which a separate equipment account is not carried. Representative expenditures: (a) Purchase or manufacturing costs and delivery, including assembly costs of semi-expendable and non-expendable equipment; service animals and motor vehicles.

Individual pieces of equipment costing \$100.00 or more should be so indicated in order that separate investment records may be set up for each piece and classed as "General Equipment, Large." Equipment costing less than \$100.00 will be carried in the investment records under the group title "General Equipment, Small."

### 37. Stores Account.

Includes expenditures for purchase of stocks of supplies and equipment for distribution to requisitioning units. Representative expenditures: (a) Purchase or manufacturing costs and delivery costs paid by purchasing unit, for all supplies, equipment, and services rendered, (b) Labor, rent and all other upkeep expenses in conducting warehouse facilities.

This account is primarily for use of Central Purchase and other units maintainnig an organization for purchasing and having warehouse facilities. No current charges will ordinarily be made to the cost accounts by these units, but periodically the value of supplies or equipment issued will be credited to the Stores account and corresponding charges made to the units or activities and project involved.

The stores account differs from No. 49—"Supplies and Other Suspense" in that the latter is purely a suspense account for current use and must be cleared at the end of the fiscal year; whereas, the balance remaining in the Stores account at the end of the fiscal year is treated as an investment or deferred charge.

## PROTECTION ACCOUNTS

### 38. Fire Prevention.

Includes expenditures for all educational, publicity, admonitory, and danger reduction work primarily directed toward preventing the occurrence of fires in the national forests. Representative expenditures: (a) General Overhead elements, (b) Posting signs, registering visitors during the fire season, enforcement of closed area restrictions, issuance of camp fire permits, lectures and exhibits on fire subjects when for benefit of national forests, patrol for the purpose of cautioning campers and recreationists, preparation and distribution of circular letters on fire, investigation of origin of fires, fire law, enforcement and damage appraisal work for that purpose, planning and organization of any of the foregoing activities, (c) Reduction of fire danger by disposal



of inflammable debris, snags, etc., not chargeable to a specific activity. Cost of disposal of debris from timber sales, free use, improvement work, or other recognized activities will be charged to the activity concerned, (d) Expenditures for control lines around camp grounds, not made in connection with fire suppression.

When patrolmen, guards, or others hired primarily for fire prevention engage in actual improvement or other work while fulfilling their duties on fire prevention, the time so spent will be charged to the specific activities concerned and not to fire prevention. Travel by rangers or others over a grazing unit where an actual range inspection is made in conjunction with fire prevention should be charged to the appropriate grazing activity. Patrolmen engaged in either fire prevention or suppression work who work in a dual capacity on both of the activities in such a way that a practical division cannot be made for charging time, may charge such time to fire prevention at the direction of the forest supervisor, and the division will be made later as hereinafter instructed.

Do not charge travel time on other recognized activities to fire prevention. If such travel time is increased by a detour made for the specific purpose of preventing the start of fire, charge to fire prevention only the additional travel time required on account of the detour.

### 39. Presuppression.

Includes expenditures incident to the organization designed to provide for effective work by guards, cooperators, and other agencies depended upon for fire suppression on the national forests, up to the point where action starts to suppress an actual or reported fire. Representative expenditures: (a) General Overhead elements, (b) Instruction, management, maintenance, detection and inspection, (c) Emergency rations, (d) Presuppression plan work and general fire maps, including fire statistics, (e) Meteorological observations in connection with fire control.

The time of guards or others who are primarily employed for presuppression work or held at headquarters because of the severity of the fire season, will be charged to this activity except when they are actually engaged on improvement or other work, in which case such time will be charged to the latter activities. Time of emergency guards will be charged to fire prevention, presuppression, or suppression exactly the same as is done with regular guards. Travel by rangers or others over a grazing unit where an actual range inspection is made in conjunction with presuppression will be charged to the appropriate grazing activity.

Do not charge travel time on other recognized activities to presuppression. If such travel time is increased by a detour made for specific presuppression reasons charge to presuppression only the additional travel time required on account of detour.

#### 40. Fire Suppression.

Includes expenditures incurred for the purpose of suppressing fires on the national forests, or on lands endangering national forest lands. Representative expenditures: (a) General Overhead elements, (b) Actual fire fighting expenditures, (c) Expenditures in connection with fires on which work was not necessary, and fire not found (false alarms), (d) Individual fire reports, and damage appraisal work necessary for preparation of such reports, (e) Reconditioning fire tools and equipment after use on fire suppression work.

#### 41. Insect Control and Other Timber Protection.

Includes expenditures incident to protection of national forest timber from insects, tree diseases, rodents, etc. Representative expenditures: (a) General Overhead elements, (b) Expenditures for extermination and control of tree-destroying insects, tree diseases, rodents, and other destructive agencies of timber other than fire and trespass.

### COOPERATION AND MISCELLANEOUS

#### 42. Fire Cooperation.

Includes expenditures for prevention, presuppression and fire suppression on lands other than national forest lands when paid for by other agencies, and from Special Funds appropriated for this purpose and on national forest lands, when such expenditures are paid from cooperative funds or when the costs are otherwise borne by the agencies. Representative expenditures: (a) General Overhead elements, (b) Cooperation with states under Clarke-McNary Act with reference to fire protection, (c) Protection of private lands within and adjacent to national forests, the costs of which are borne by cooperators by making deposit of cooperative funds for disbursement by the Forest Service or by setting up of funds by cities, counties, and other agencies against which expenditures incurred by the Service may be billed, (d) Repayments made to the Forest Service appropriations on account of protection extended to private and National Forest lands, the appropriate Service activity to be decreased accordingly, (e) Expenditures in protection of Oregon and California railway lands, until such time as such may come under the administration and utilization of the Forest Service.

Gratuitous cooperation received from settlers, ranchers, tourists, etc., in the forests for protection of national forest lands will not be included.

It will usually be impracticable to charge currently to this account cooperation on account of deposit of cooperative funds for protection of private lands within the national forests, but the amount of the collections for such work during the fiscal period may be taken up under this account at the end of the period and the appropriate forest



protection accounts decreased accordingly.

#### 43. Reforestation Cooperation.

Includes expenditures incident to planting on other than national forests lands. Representative expenditures: (a) General Overhead elements, (b) Cooperation with state under Clarke-McNary Act in furnishing trees and seed for planting, (c) Cooperation with ranchers, settlers, cities, etc., in planting other than national forests lands.

#### 44. Forestry Extension Cooperation.

Includes Forest Service expenditures incident to developing forestry practice and support of such practice by private concerns and the public on other than national forest lands, which cannot more properly be charged to Fire Cooperation and Reforestation Cooperation. Representative expenditures: (a) General Overhead elements, (b) County fair and special exhibit work, (c) Public lectures and other general publicity work, (d) Taxation inquiry work, the purpose of which is to assemble scientific data on which to base equitable tax laws applicable to privately owned timberlands, (e) Insect infestation work on lands outside the national forests, (f) Management plans for privately owned or state lands.

Taxation Inquiry expenditures made under the formal direction of the Tax Inquiry unit of the Branch of Research will be treated as a separate unit and reported separately from forest expenditures.

#### 45. Timber Disposal Cooperation.

Includes expenditures incident to disposal of brush or performance of other work by the Forest Service for purchasers of timber on forest or private lands which is paid for by the operator by deposits made in the cooperative fund. Representative expenditures: (a) General Overhead elements, (b) Expenditures for supplies and labor incident disposal of brush, girdling trees, cutting snags, special scaling, etc., in timber sales on forest or private lands paid for from funds deposited by the operator.

Only such supervision as the operator should be required to pay for should be included.

#### 46. Other Cooperation.

Includes expenditures incident to cooperation with outside interests and other Governmental Bureaus, on activities for which no specific cooperation account is carried and not primarily of benefit to or producing benefits from national forest resources. Representative expenditures: (a) General Overhead elements, (b) Cooperation with other bureaus and agencies in performance of work for which they are responsible and in which the benefits accrue to such agencies or to the public generally and are not derived from the national forest resources, (c) Range management on outside lands, (d) Maintenance of Reg.



G-15-(B) improvements when paid for from cooperative fund deposits.

#### 47. Research, Silviculture and Products.

Includes expenditures incident to silvicultural and products research. Representative expenditures: (a) General Overhead element, (b) Expenditures for silvicultural and products research work on the national forests when for general national forest or other use and not for specific plan purposes, (c) Expenditures in connection with projects conducted by the Branch of Research through the Regional Office, experiment stations and the Forest Products Laboratory both on and independently of the national forests.

Experiment stations, Regional Office Research Units, and the Forest Products Laboratory are to be treated as separate units of organization, and as such will use the activities pertaining to maintenance and construction of improvements and the General Equipment account. Experiment stations doing direct work for a forest, as fire fighting, will transfer such expenditures, when paid for out of station funds, to the forest benefited at the end of the fiscal period.

Local investigative work conducted primarily for the benefit of the Forest should be charged to the appropriate accounts No. 2 or No. 3.

#### 48. Research, Range.

Includes expenditures incident to range research. Representative expenditures: (a) General Overhead elements, (b) Expenditures for range research work on the national forests when for general national forest or other use and not for specific plan purposes, (c) Expenditures in connection with projects conducted by experiment stations and Regional Office research units, both on and independently of the national forests, such as quadrat and fenced enclosure work under the formal direction of the Research branch.

Experiment stations and Regional Office Research Units are to be treated as separate units of organization and as such will use the activities pertaining to maintenance and construction of improvements and the General Equipment account. Experiment stations located on forests or doing direct work for a forest, as fire fighting, will transfer such expenditures to the forest benefited at the end of the fiscal period, when paid for out of station funds.

Local investigative work primarily for the benefit of the Forest should be charged to the appropriate account No. 5 or No. 6.

### SUSPENSE ACTIVITIES

The two following activities or accounts are for the purpose of completing the activity expenditure records for balancing purposes until such time as their contents may be distributed to the regular activity accounts.

#### 49. Supplies and Other, Suspense.

Includes expenditures for supplies, equipment and provisions, and freight and handling charges incident to distribution thereof, and maintenance and upkeep of pack stock, teams, and motor vehicles, which cannot be allocated to the proper activities or units at the time the expenses are incurred. Usually cost of upkeep of such equipment may be charged direct to activity or project benefited.

Maintenance and upkeep of pack stock, teams, and motor vehicles will be taken care of here only when such equipment is used on activities to which the distribution cannot be made currently. Maintenance and upkeep of pack stock, teams, and motor vehicles used quite generally on all activities will be charged to General Overhead.

Time should be charged to this account on Service Reports only when the Forest Supervisor directs that it be included as an account on Form 26 for the purpose of carrying charges for repair of machinery or in connection with some work for which the charge cannot be allocated to the activities or projects until some later date.

This account should be cleared at the end of the fiscal year.

#### 50. Salaries and Wages, Suspense.

Includes expenditures for salaries and wages of all regular and temporary employees who submit service reports as a means of distributing their time to activities. Salaries or wages distributed currently to activities on the expenditure records should not be included.

### EXPANSION ACCOUNTS

The list of accounts which has previously been given represents those that must be kept uniformly by the Service as a whole for activity expenditure records. They are the minimum considered necessary for adequately covering the general activity expenditures of the Service and for laying the foundation for cost and investment records.

These accounts are, however, often lacking in details needed for administrative use locally, and they may, therefore, be expanded or divided as need for more detailed information may arise. Such expansion will usually be at the discretion of the Regional Forester or Forest Supervisor. No prescribed accounts have been set up for such expansion or detailed accounts, it being left to the officer seeking the information to name and define them, but the scope of such accounts must of course not transgress beyond the scope of the general activity account of which they are divisions. In the definitions of required activities the kinds of work included will often suggest the names for detailed accounts and may be used when they cover the items for which costs are desired.

The only expansion that is dictated by the system itself is that for individual projects and under the activity expenditure record this ap-



plies only to improvement construction projects. No expenditures are to be charged to any of the several classes of improvement construction accounts that cannot be charged to an individual project or a group, "Miscellaneous Small Projects," when such grouping has been authorized. The several maintenance accounts require no further expansion for statistical or other purposes, unless directed by the Regional Forester or Forest Supervisor. When expansion of maintenance accounts is practiced it will be advisable to follow the classification provided in the Investment Statement, Form 43-d, for construction improvements.

The use of expansion accounts is quite flexible, it not being necessary to divide a required activity into several detailed accounts when information is wanted or can be used on only one or two items. For example, it may be desirable to divide account "No 2—Timber Sales" into A—Commercial Sales, B—Sales at Cost (S-22) and C—Admin. Use and Timber Settlement. Likewise expenditures on one or two ranger districts may be ascertained without applying the expansion to all districts. When expenditures on only one or two cost elements of a required activity are desired, the remaining elements of costs pertaining to that activity may be carried under the name of the major activity account or some other selected heading. The meaning of the expansion accounts, will of course be defined and understood locally. Since considerable work is attached to recording and compiling accounting data, expansion accounts should be restricted to those that can be used to advantage, and when information sought has served its purpose the corresponding accounts will be discontinued.

## DISTRIBUTION OF TIME

### *Unit for Charging Time*

The distribution of time will ordinarily be made in hour periods for time actually worked, the sum of the distribution equaling in all cases the total hours worked for the day. At the discretion of the Regional Forester or Forest Supervisor half-hour or tenth-hour units may be employed by all employees or designated employees whose time can not otherwise be distributed sufficiently accurate on an hourly basis. In the case of protection guards the minimum unit of time in making distribution may be one-half day when specifically authorized by the regional forester.

### *Monthly Service Report*

All the time devoted to official work will be accounted for on Form 26, including official work on Sundays or holidays or at night. Official work includes only the time an employee gives to his official job and should never include such personal duties as cooking, milking, chores, splitting wood at headquarters station (unless put on a job basis and approved by the Supervisor, or unless done by guards or assistant rangers for whom there is no other necessary work at the time), washing clothes, and preparation and care of gardens or fields producing hay

for animals not in official use.

Time spent at home on study courses will not be considered as part of the official day unless specifically authorized in the Regional Policy as directed by the Regional Forester.

Ordinarily the official work day of field going Officers will start when the officer is ready to leave his headquarters or temporary stopping place. The following governing principles will be observed: (1) For horse trips—after horses have been wrangled, saddled and packed, (2) For motor trips—after servicing motor vehicles, and (3) For hiking trips—after preparation of equipment for back packs. When because of unusual circumstances more than thirty minutes are required for these steps, the additional time should be treated as part of the official day and charged to activities involved in the day's work.

On days when no official work is performed, enter an "X" opposite the word "Totals" near the bottom of the form, and if on annual, sick, or leave without pay, proper entry should be made for the time opposite the appropriate caption at the bottom of the form. By this method the actual working time will be shown and days upon which no work is performed will be omitted automatically.

Opposite the caption "Time in Field" there should be included all time on official work spent away from the headquarters or headquarters town of the officer reporting, exclusive of time spent in procuring personal supplies or incident to the maintenance of self and personal equipment.

In distributing time on the face of Form 26, employees must adhere strictly to the standard activity captions which are printed on the form except that "Supplies and Other—Suspense" may be added when so directed by the Supervisor. On the reverse of the form space is provided for distribution of time by projects and detailed expansion accounts, as may be required, but such time should be included on the face of the form also under the appropriate accounts. The time will not be reduced to a money value by the employee submitting the report. If activity expenditures are being kept by ranger district and work is performed by members of the supervisor's office for which a ranger is responsible, the necessary information will be summarized on the reverse side by writing in the names of the activities involved and inserting under same, one to a line, the names of the ranger district involved and the time charged.

All employees assigned to national forests, regional office specialists and others as may be directed by the regional forester will submit service reports monthly. Protection guards whose entire time is given over very largely to one activity may be excepted, provided that an adequate report is made of their time on Form 874-15 or other appropriate form, which reports should be treated as service reports in dis-



tributing time unless the value of such time is charged to activities currently on the activity expenditure record. It may be considered desirable in some regions to also exclude administrative guards under certain circumstances, which may be done if an appropriate time report form is employed requiring less time to prepare than Form 26.

Members of the regular personnel are required to prepare their own Form 26, except in emergencies or under conditions making it impracticable for them to do so. Also the monthly service reports of administrative and protection guards should ordinarily be prepared by them personally. However, in cases where it would appear to expedite matters or provide a more accurate and uniform distribution of time for the ranger to prepare the Form 26 for short term men, such procedure may be followed. Service reports of employees whose time is charged currently into projects or activities should be filed but not used in distributing "Salaries, Suspense."

All employees required to keep diaries will make daily distribution of their time at the end of each day and post therefrom at the end of the month to the monthly service report. Those not required to keep diaries should distribute their time at the close of each day directly to the service report or other appropriate form for later posting to the monthly service report.

Each yearlong officer doing field duty should have a copy of the latest revision of Form 874-29 inserted in his diary. This form contains a complete list of the required expenditure activities, with definitions in full and is designed to assist rangers and others in making correct time distribution and also in facilitating the work.

All travel time, including "job to job" trips, should be charged in so far as practicable to the activity benefited. When travel is performed for a specific project or activity and the work can not be accomplished upon arrival, the time should be charged to the activity for which the travel was performed. Unexpected deviation to incidental activities will be charged with the proper share of the travel time. Travel time for a field trip involving a number of activities should be charged to the activities benefited in approximately the same ratio as the time spent on each activity. A hard and fast mathematical ratio involving detailed calculations will not be applied in securing this distribution.

When patrolmen performing the dual duties of fire prevention and presuppression are permitted to charge their time to fire prevention as outlined under the activity definition of fire prevention, the division of these charges on the service report or Form 874-15 will be made in the supervisor's office as follows: The supervisor will determine at the beginning of each season the per cent of the charges to be made to fire prevention and presuppression for each patrolman whose duties com-

bine these two activities. Before the service reports for these patrolmen are posted to summary Forms 34a, or charges made direct to activities from Form 874-15, these per cents will be applied to total charge to fire prevention to obtain the charges to fire prevention and presuppression. The travel expenses of these patrolmen will be divided in the same manner. This procedure is not to be applied to other activities on which these patrolmen work. That is, their time and expenses will be distributed to all other activities than fire prevention and presuppression in the regular manner.

In the case of a considerable amount of time being spent incident to maintenance of Government equipment, such as annual inventories and preparation of annual property returns, the Supervisor may direct that the charge be divided between No. 1 General Overhead and No. 40—Presuppression, the division being based on the approximate amount of time spent in connection with each class of equipment.

In order that the monthly service report may be readily prepared, diaries must contain sufficient information to indicate the proper distribution of time, such as time of entry on duty, time of leaving headquarters, time of arrival at any project or activity and time of leaving same, as well as time of arrival at station on return. A summary of the projects and activities, with the time spent on each, will be noted at the bottom of the page for the day, using in the case of activities the numbers only, if desired.

The diaries of field officers and others required to keep diaries will be checked periodically by the supervisor, forest clerk, or other qualified assistant designated by the supervisor, in order to make certain that the time of forest officers is being properly distributed and for various administrative reasons. Officers will be informed respecting errors in distribution on their part. The diaries will be initialed and dated by the reviewing officer.

In the use of the monthly service report in the regional office to cover salaries recorded as regional office disbursements by specialists and others required to submit service reports, the face of the form will show distribution by dates and activities in the regular way. The reduction of time to money will be made in the regional fiscal agent's office. The reverse side will be used as a summary by writing the numbers and titles of activities involved, and inserting under same, one to a line, the names of the forests or other units and hours worked. If the forest on which work was performed is keeping activity expenditures by ranger districts and work was performed for which the ranger is responsible, the ranger districts involved should also be shown under each forest. The forests on which such employees work should advise them if any special activities or expansion accounts are to be kept. Time on construction and other projects should be summarized on the reverse side of the form. When regional office salary disbursements



are charged to the forests currently, service reports covering such disbursements will be submitted to the forests concerned. Form 79-a covering such salary payments should indicate whether it should be charged, "Salary, Suspense" or direct to activities affected.

## DISTRIBUTION OF TRAVELING EXPENSES

Traveling expenses for a field trip involving a single activity will be charged to the activity necessitating the trip. Traveling expenses for a field trip involving a number of activities should be charged to the activities benefited in approximately the same ratio as the time spent on each activity. A hard and fast mathematical ratio involving detailed calculations will not be applied in securing this distribution. Subsistence and lodging for each day will be charged to the activities worked on during the day in question when practicable; also as much of the transportation costs as possible will be similarly charged.

If the work handled on a trip is varied or general in character so that direct distribution of each day's subsistence and lodging expenditures to that day's work is impracticable, the distribution may be spread over the entire period of the trip on approximately the basis of the time spent on each activity during the trip. The hire of special conveyances while on a general trip for the purpose of making a side trip relating to a specific activity or activities will be charged directly to the activity or activities concerned. All other charges for transportation pertaining to the trip as a whole will be distributed approximately to the activities worked upon during the trip.

Traveling expenses of patrolmen, performing the dual duties of fire prevention and presuppression, will be charged in the manner outlined under "Distribution of Time."

The actual distribution of traveling expenses will ordinarily be made by the officer submitting the account. When this is not practicable the distribution will be made by the Forest Clerk from Diaries or Service reports on file in the Supervisor's office. Field officers will invariably designate the activity for all other items included in expense accounts.

## DETAILS

### *Details Within Region*

When an employee whose salary is paid by one forest or unit, performs work chargeable to another forest, unit, or the regional office in the same region, he will prepare a service report for each forest, unit or regional office for which work was performed. All of these service reports will be submitted to the supervisor or officer in charge under whose supervision the employee is regularly assigned. One of the service reports will account for the entire month, on which time contributed to the other forces or units may be stated by simply writing in the name of the forest or forests in the date columns. Distribution of time

by activities contributed to other forests will not be made on this particular report. The value of the time for the forest to which regularly assigned will be computed from the salary table and noted on the report by the supervisor. Usually leave taken during the detail will be borne by the forest to which regularly assigned, but the forest to which detailed will be assessed with Sundays and holidays occurring during the period of detail as well as travel time going and returning.

Each supplemental service report will show the name of the forest concerned and the distribution of contributed time by activities. The detailing unit will enter the value of contributed time for the period of the detail in the salary space for each forest or unit involved and forward the reports to the other forests or units concerned as soon as possible after the end of the month or termination of the detail. At the close of the fiscal year it should be determined that all such reports have been or are forwarded to other units concerned by July 15. Care should be exercised to see that the total salary entered on all service reports for the several units equals the salary paid the employee for the month.

### *Details Between Regions*

The procedure is the same when the forests involved are in different regions, except that the reports will be transmitted to the regional fiscal agent who will, after making a record of them transmit them to the regional fiscal agent of the other region, who will in turn transmit them to the forest concerned after making a record of them.

The regional fiscal agent will keep a memorandum record of all inter-regional details showing amounts by names of employees, unit and region from which detailed, and unit and region to which detailed. Immediately after the close of the fiscal year each region will see that its inter-regional detail record is complete and if involved in any, will prepare a statement giving the above information and forward a copy to each region concerned. Each region will check its own record against the statements of other regions and if necessary take steps to adjust any discrepancies. This statement should be prepared so as to reach the headquarters of the region concerned by not later than July 20, and earlier if possible, so as to allow time for adjustment of discrepancies and such adjustments being passed on to the forests involved in time for including in their annual expenditure statement. Unless considerable care is exercised in handling inter-regional details, it may result in the activity expenditure statements being out of balance with the regional financial statements. If the reporting of inter-regional details is unduly delayed, the detailing forest and region should absorb the expenditures in their own statements, unless the amount is great enough to warrant the many corrections that would likely ensue in the other regions' activity statements.



### *Reimbursement Accounts*

Expenses other than salary, in connection with details, will ordinarily be paid by the forest or forests deriving the benefit, and the distribution to activities taken up in their records.

### PAYMENTS FOR OTHER REGIONS

When one region makes payment for another (including the Washington office and Forest Products Laboratory), the region making the payment will transmit notice thereof on Form 79-ab to the region for which paid, together with any information necessary to identify the transaction for the purpose of distributing the expenditure to the activity expenditure records. When such payments affect a forest, Form 79-a and other information necessary for identification will be transmitted to the forest. In such cases Form 79-b will be retained in the regional office and none need be submitted by the forest.

### DISBURSEMENT OF FUNDS OF OTHER BUREAUS AND DEPARTMENTS

When funds of other bureaus and departments are transferred to the Forest Service for direct disbursement on Forest Service work, they will be included in the activity expenditure records. When cooperation consists only in making disbursements for such bureaus and there is no participation in the work by the Forest Service, the expenditures will not affect the activity expenditure records. The salaries of assistants to the Solicitor will be included in regional office activity expenditures.

### DISBURSEMENT OF FOREST SERVICE FUNDS BY OTHER BUREAUS AND DEPARTMENTS

When Forest Service funds are transferred to other bureaus and departments for disbursement, such expenditures will be included in the activity expenditure records.

### OGDEN SUPPLY DEPOT AND PURCHASING UNITS

The Ogden Supply Depot will keep no activity expenditure records since the supplies distributed are taken up currently by forests and other units. Regional Purchasing Units will keep no activity expenditure records but will keep such records as will enable them to report as "Stores" on Form 43, Activity Expenditure Statements, the difference, plus or minus, between (a) purchases and handling costs, and (b) the issue value of distribution made.

## POSTING AND RECORDING FORESTS

### *Distribution*

The distribution of activity expenditures will be made currently on the activity expenditure record sheets, Form 21-i and on such other sheets as are used in conjunction therewith for detailed or expansion accounts, as vouchers are submitted for payment, as Forms 79-a are received from the Ogden Supply Depot, or as entry is made on the voucher register from "paid" Forms 79-a covering vouchers chargeable to the forest or unit, but not submitted by the unit. The activity expenditures recorded on form 21-i will not be separated by appropriations. However, Form 19-h is designed to provide allotment control as well as activity cost expenditures. (See explanation of use of 19-h.) A notation of the activity distribution will be made on the file copy of the voucher for audit and checking purposes.

Salaries, including retirement deductions, and wages which are to be distributed on monthly service reports will be entered currently on the activity sheet, Form 21-i set up for the account No. 50—"Salaries and Wages Suspense" as pay roll vouchers are submitted for payment. Deductions on account of commissary will also be taken up under this account when the supplies are paid for and entered on the voucher register, if affecting an employee who submits a service report covering salary distribution to activities, or charged direct to the proper activity if the employee's time is distributed direct currently to activities and not held in Suspense.

Likewise supplies and services other than personal which can not be distributed currently will be entered under account No. 49—"Supplies and Other, Suspense." If desired, this account may be subdivided into two or more accounts to facilitate later distribution. This account like "Salaries Suspense" must be entirely cleared at the end of the fiscal year.

Refunds to depositors on account of timber, grazing, etc., and refunds from the Cooperative Work Forest Service appropriation, should not be taken up on the activity expenditure record. Deposits made in the "Special Deposits" accounts such as deposits in connection with timber sale bids, deposits in land exchange cases, etc., should not be included when disbursed or refunded. Repayment items which result from previous overpayment are to be taken up as decreases in the activity expenditure records, but repayments to service appropriations to cover expenditures made for such activities as Presuppression and Fire Suppression which the Service performs for others are to be included under the activity Fire Cooperation. If the expenditure when made was charged to the Service fire activities, upon repayment those activities should be decreased by the amount of the repayment and the



charge transferred to Fire Cooperation.

The activity expenditure record will be corrected, when necessary, to make it agree with adjustments on returned paid Forms 79-a.

Vouchers of Temporary Special Disbursing Agents will be taken up as other forest vouchers.

#### *Forms 19-h and 21-i as Activity Expenditure Records*

Form 19-h, Project Record, when necessary as an allotment and expenditure control record in the regular forest fund accounting should also be used in every instance practicable as a part of the expenditure and cost records and current posting omitted from sheets 21-i for the activities affected. This will avoid duplicate posting.

This use of Form 19-h as a part of the activity expenditure record will be facilitated if its use as an allotment and expenditure control record is correlated with the first named use. For instance, an allotment for maintenance of dwellings should not contain both permanent headquarters dwellings and dwellings at temporary stations since in the activity expenditure record the first named comes under "Maintenance Headquarters Improvements" and the last named under "Maintenance Other Improvements." Therefore, it should be the aim to have the allotment and expenditure control record on form 19-h set up by headings that will permit of ready summarization under the proper activity accounts.

Forms 19-h for projects should carry the complete record of expenditures and costs, including contributed time and expense, (whether distribution is made currently or at close of fiscal year) and distribution of General Overhead. This feature is mandatory where complete costs are necessary as in the case of investment accounts.

However, where allotment control only is desired and complete projects costs are not necessary, the contributed time and expenses and proration of General Overhead may be posted direct to an activity expenditure record sheet (Form 21-i) for the group class or activity as a whole rather than to individual projects of the group. When handled in this manner, the total of the charges on 19-h for the group or activity would be transferred at the end of the year to the activity expenditure sheet (form 21-i) which would then show the total charges for the activity.

Distribution of General Overhead should not be calculated and posted on Forms 19-h for individual fires but for "Fire Suppression" as a whole and posted direct to the activity expenditure record (Form 21-i) set up for that account.

When it is necessary to set up an allotment on a Form 19-h for allotment control purposes only but which covers more than one activity account and the allotment cannot practicably be divided so that the

Forms 19-h will also serve as an activity expenditure record, the allotment and expenditure Form 19-h should bear a notation in the space for the name of the activity, "Not a Part of Activity Expenditure Record," so that it will not be included in balancing activity expenditures against disbursements of appropriations. All posting made to this record should then also be made to the proper activities on Forms 21-i.

In the use of Form 19-h as an activity expenditure record, it is necessary to carry in a separate column on the form the charges for semi-expendable and non-expendable equipment, so that such charges may be posted at the end of the year under the proper equipment accounts on the activity sheets and not included in the project or other activity account expenditures. In the case of projects under "Cooperative Work, F. S.," refunds, if any, should also be noted or shown in a separate column on Form 19-h so that they may be readily deducted from the expenditures shown when summarizing and posting to sheets 21-i at the end of the year.

Form 21-i, Activity Expenditure Record, is to be used to record all those expenditures which are not recorded on project sheets Form 19-h. A separate sheet (Form 21-i) may be used for each activity or account, or by using the columns for a group of accounts.

Form 21-i may also be used for Activity Expansion accounts when such are desired.

#### *Ranger District Expenditures*

If the activity expenditures are maintained by ranger districts, a separate form 21-i should be used for each activity, on which the blank columns should be headed with the names or numbers of the ranger districts, using the last column for the total charges to the activity. A column should also be designated "Supervisor's Office" to take care of charges to the activity which cannot be charged directly to ranger districts or where it is desired to keep the Supervisor's office expenditures separate from those of the ranger district.

#### *Nurseries*

When nurseries are located on a national forest and their accounts are handled through the supervisor's office, nursery expenditures are to be kept separate from the forest expenditures. This may be done either by setting up a separate set of activity expenditure sheets or by treating the nursery as an activity, setting up an activity sheet (Form 21-i) for the nursery and using the columns thereon for segregation of the various activities. When activities other than nursery activities are engaged in or expenditures made on them out of nursery funds, such expenditures will be transferred to the forest expenditures either currently or at the end of the year. The value of nursery stock transferred to the forest or other forests for planting will not, however, be



transferred under the Activity Expenditure Record system, this being a feature that will be undertaken only in connection with Activity Costs and Investments procedure.

In the case of nursery stock sold to a State in a Region other than that in which the nursery is located, or to another region, the transaction will be handled as a payment for other regions. The fiscal agent of the region selling the stock will treat it as a decrease in disbursements and the fiscal agent of the region receiving the stock will increase disbursements accordingly.

## ARRANGEMENT OF ACCOUNTS IN REGISTER

The following outline is suggested as a guide in arranging the accounts in the register.

### I. Voucher Register, preceded by Allotment Record.

- (a) S. & E. sub-allotment control.
- (b) Travel Records.
  - (1) Transportation Request Record.
  - (2) Individual Sub-allotment “
- (c) Individual Salary Records, etc.

### II. Project Records.

- (a) Individual Fire Records.
- (b) Improvements.
  - (1) Administrative (Except R. and T.).
    - Construction (by projects).
    - Maintenance (by projects or classes).
  - (2) Fire Control (except R. and T.).
    - Construction (by projects).
    - Maintenance (by projects or classes).
  - (3) Roads and Trails.
    - Construction (by Fire Control & Admin.).
    - Maintenance ( “ “ “ “ “ ).
    - Etc.
    - (Construction by projects; Maintenance by projects or classes.)
- (c) Miscellaneous appropriations and sub-appropriations.  
(To be set up as required)

### III. Expenditure Record Sheets (Form 21-i).

In the above outline, Group I represents Fund and Allotment control records; group II is a combination of fund-allotment control and expenditure records; group III embraces only expenditure records.

It is not intended that this arrangement shall disturb the grouping of accounts by appropriations, since for fund accounting purposes all appropriations must be kept distinct.

## *Balancing*

In balancing, the total expenditures shown on Forms 19-h Project Records (Group II) plus the total expenditures shown on Forms 21-i Expenditure Record sheets (Group III) must agree at all times with the total expenditures for all appropriations shown on the Voucher Register, reconciling for the items to be excluded from activity expenditures.

The items to be excluded are: (1) Refunds to depositors; (2) Refunds from the appropriation "Cooperative Work, F. S."; (3) Disbursements from "Special Deposits" account; (4) Disbursements from any special fund or appropriation not properly belonging in the activity expenditure records. Since posting to activity expenditure records is without regard to appropriation when Forms 19-h Project Record are used as a part of the activity expenditure record all items on Forms 19-h should be included in balancing with the voucher register, except contributed time which has been calculated on a calendar year or other than fiscal year basis and posted to individual fire record or project sheets as memorandum for statistical purposes.

To facilitate balancing, the excepted items should be appropriately designated in order that they may be readily identified.

If a repayment has been made covering work which the Service has done for others and which should be included in the activity expenditure records under the proper cooperation account, this will be taken into consideration in balancing. A column will be carried on the voucher register for entry of such class of repayments and designated "Cooperative Repayments." A column will also be carried on the voucher register for "Undeposited Cooperation" to take care of cooperation included in the activity expenditures not paid from Forest Service funds or Cooperative Work, F. S., funds. The term "Undeposited Cooperation" in this instance covers disbursements made by outside agencies on vouchers certified or approved by forest officers. Such disbursements will be treated the same as regular expenditures and included in the activity expenditure records.

The activity expenditures should be balanced with the voucher register periodically and not less than quarterly. All discrepancies must be located and corrected.

## EXPERIMENT STATIONS, TAX INQUIRY, AND FOREST PRODUCTS LABORATORY

These units of organization need not keep the activity expenditure records in detail, but may do so if desired. They must, however, keep such records as will enable them to show the expenditures for the following:

Headquarters Improvements (Construction only).



Other Improvements (Construction only).

General Equipment.

Research, Silviculture and Products.

Research, Range.

Ordinarily, in order to do this no records in addition to those required for fund accounting will be necessary except to maintain a record of purchases of semi- and non-expendable equipment under the account heading of "General Equipment." Any improvements constructed must be accounted for under the fund accounting procedure on Form 19-h, which will supply the information necessary for the above accounts, "Headquarters and Other Improvements." On the Form 19-h, however, any semi- or non-expendable equipment purchased and charged to the project should be shown in a separate column so that at the end of the year it may be deducted from the cost of the project and included with the cost of similar equipment carried under the account, "General Equipment." The total of the expenditures for "General Equipment," and "Headquarters and Other Improvements" thus obtained subtracted from the total expenditures from all appropriations as shown on the voucher register for the station will give the charges for the "Research" account. The Tax Inquiry unit will arrive at its costs in the same manner as above, using the account, "Forestry Extension, Cooperation," instead of the Research accounts. If work is done at a station pertaining to both research accounts, it may be necessary to set up the activity expenditure records and follow the procedure outlined for forests unless it is practicable to make a satisfactory division of the costs between the two research accounts through the medium of the regular experiment station project costkeeping records.

These units will be treated as separate units of organization and will submit the annual Activity Expenditure Statement on Form 43. Any expenditures made for the direct benefit of forest activities, such as fire fighting, etc., which are paid for out of funds of these units should be transferred to the forests at the end of the fiscal year.

Special funds other than research funds allotted to experiment stations for expenditure, such as road and improvement funds will be considered an experiment station charge if their expenditure is primarily for the benefit of the experiment station, but when of more general benefit to the forest, such charges will be transferred to the forest. It is not intended that public relations work of experiment stations in connection with making known to the public and others the work of the station shall be transferred to any other unit.

#### NURSERIES

Forests keeping accounts for nurseries will maintain a record of the nursery expenditures in sufficient detail to show expenditures for the following accounts:

No. 20—Roads and Trails.

No. 22—Headquarters Improvements.

No. 23—Other Improvements.

No. 27—Nurseries.

No. 36—General Equipment.

Under the account No. 27—Nurseries, will be recorded all nursery expenditures not falling into the other accounts enumerated.

## REGIONAL OFFICE

The activity expenditure record will be maintained in the regional office, either for the regional office as a whole or by branches if desired. The current postings will be largely to General Overhead, the Equipment accounts, Stores Account, Supplies and Other, Suspense, and Salaries, Suspense. The chief recording and posting will be in connection with the time and expenses of those members who do direct work on the forest. It will be necessary to maintain a record of activity charges for each forest to receive the current distribution of traveling expenses of specialists working on forests. It may be found more convenient to use Form 21-i for each major activity, writing the names of the forests in the columns provided on the form. Service reports will be posted currently to summary forms 34a for those members who submit service reports, such supplemental forms being kept as are necessary to determine the charges to forests and activities and forest projects.

Except in the case of "B. P. R." projects, no charges should be made to improvement construction or maintenance projects in the regional office that cannot be allocated directly or by proration to the projects and maintenance classes required on the forests, nor should charges be made to any other investment account in which the tangible or physical assets representing the accounts are located on a forest or other unit unless such charges can be charged back to such forest investment accounts. In other words, there should be no investment accounts in the regional office when the final expenditure statement is made, other than for supplies and equipment, construction of roads by the Bureau of Public Roads, and perhaps certain intangible investments in plans that may more practicably be carried in the regional office and written off against forests or other regional office activities. Charges to other activities will be regional office activity charges, unless they represent direct work on the forest or other unit and may be charged back at the end of the year.

## CLOSING THE ACTIVITY EXPENDITURE RECORD FORESTS

### *Outstanding Liabilities*

At the close of the fiscal year the forests and other units will round up and submit for payment before July 31 vouchers for all outstanding



liabilities so far as practicable. At the close of July or at the time final Form 44, financial statement for the fiscal year is prepared, all outstanding liabilities for which vouchers have not been submitted for payment, will be listed, included in lump sum on the Form 44 and distribution made of such liabilities to the activity expenditure records Forms 19-h and 21-i. These unvouchered liabilities will be supported by Form 79-b showing the total amount by appropriations and Budget Bureau classifications. The activity expenditure record, before any other adjustments are made, should be in agreement with the total disbursements and outstanding liabilities as shown by final Form 44 approved as correct by the regional fiscal agent. After this agreement is established no further entries of disbursements will be made on the activity expenditure record for the fiscal year closed until the proper adjustments for details, etc., have been made and the expenditure statement (Form 43) has been prepared, unless of material amount, in which case the regional office should be notified in order that appropriate action may be taken.

### *Adjustments*

All adjustments affecting the expenditures of other forests and units should be determined as soon after June 30 as possible, and reported to the units affected, but not entered on the activity expenditure record until the outstanding liabilities have been taken up and the activity record proven with the final Form 44 financial statement. The following steps should be taken to insure that all adjustments are made: Ascertain, (1) that other forests and units have been furnished service reports covering details to them, (2) that the regional fiscal agent has been furnished service reports covering details to forests in other regions, (3) that expenditures other than details properly chargeable to other units are transferred, such as land exchange expenditures affecting another forest, etc., (4) that expenditures other than details transferred from other forests or experiment stations are taken up, (5) that regional office chargebacks are taken up, (6) that necessary adjustments in forest accounts are made, such as transferring expenditures on account of fire cooperation from the fire activities to Fire Cooperation, (7) that details from and to the forest are taken up. This will be done by entering the value of details to the forest in black ink in the "Salaries, Suspense," account, and the value of details from the forest in red ink in the same account. The net total of this account should then equal the totals distributed on Forms 34a and summarized on Form 34. Advice as to expenditures affecting other units should be forwarded to the units concerned so as to reach them not later than August 5.

### *Distribution of Salaries, Suspense*

Form 34a, Summary of Service Reports, should be posted monthly, including the service reports of the regular forest force and details to the forest. At the end of the fiscal year the value of the time will be

calculated for the fiscal year and this will be done for projects under investment accounts and expansion accounts also. Before Forms 34a are reduced to a money value, it should be ascertained that the total of all salaries on these forms equal the total in the account, "Suspense, Salaries," including adjustments made on account of details.

Because it is necessary to calculate contributed time on individual fires for fire statistical purposes on a calendar year or some other basis than the fiscal year basis and these figures are posted to the individual fire records, as memo only, no further calculation of such costs for individual fires should be made on a fiscal year basis. For cost accounting purposes, the calculation as made for the "Fire Suppression" account on Form 34 for the fiscal year will be entered direct to the activity expenditure records, Form 21-i. The contributed time posted in the memo column of individual fire records for fire statistical purposes should be deducted from the total costs of the fire in each case before balancing the activity expenditure records with the voucher register and before summarizing costs of all fires at the end of the fiscal year for posting to "Fire Suppression" on the activity expenditure sheets. Form 34 may be used advantageously in summarizing the costs of salaries on individual fires for fire statistical purposes, but such calculations should not be made on the Form 34 used for calculating costs of projects and activities in connection with the cost accounting records.

Form 34 will be prepared as soon after the end of the fiscal year as possible so that other units may be advised at the earliest date possible of total expenditures, including expenditures for salaries other than details, which are to be transferred to them. The activity expenditures, as shown by the summarized form 34, will be posted to the activity expenditure records as "Distribution, Salaries Suspense." At the same time the "Salaries, Suspense" account will be cleared by posting the total of the Form 34 distribution in that account in red ink.

#### *Distribution of Supplies and Other, Suspense*

When it has been necessary to charge expenditures to this account, it is assumed that such supplemental records as are needed to properly distribute the expenditures periodically or at the end of the year will be kept, such as service reports in the case of upkeep of pack stock, teams, etc., or record of use in the case of supplies. When the distribution has been made and summarized at the close of the fiscal year it should be posted to the activities and the suspense account cleared by red ink entry of the net amount standing charged to the account at the time of the distribution.

If at the end of the fiscal year a forest or other unit has supplies of material amount in stock which has been charged to Supplies and other Suspense that cannot be allocated to activities and projects on which to be used, the cost of such undistributed supplies will be transferred to



the Stores Account, Forests and other units will not, however ordinarily charge any semi-expendable or non-expendable equipment to the Stores Account but to the proper equipment accounts.

After posting expenditures transferred from other forests and units and making all other adjustments required the forms 19-h should be summarized and posted to the activities on the activity expenditure sheets, Forms 21-i, as "Transferred from Forms 19-h" setting up accounts on Form 21-i for all activities for which sheets have not previously been set up. The activities will then be totaled and brought down as "Total Direct Expenditures." Before proceeding further the total activity expenditures should be proven. This will be done by making up the reconciliation statement, as called for on Form 43, Activity Expenditure Statement, which shows: (1) Total expenditures as shown by final Form 44, including outstanding liabilities, (2) Chargebacks from regional office, (3) Details from other units, by names of employees, (4) Transfer of expenditures from other units, by names of units, (5) Details to other units, by names of employees and forest, (6) Transfer of expenditures to other units, by names of units, (7) Miscellaneous refunds and special deposit disbursements. The net total should agree with the total Direct Forest charges.

#### *Distribution of General Overhead*

General Overhead will be distributed to all activities except Equipment Accounts, and Nurseries. The amount of overhead as shown under General Overhead on the activity expenditure record will be distributed to activities, except as noted above, and to projects under investment accounts when such have been set up, but need not be distributed to other detailed expansion accounts unless desired. The distribution will be made in the column provided on Form 34, and will include not only General Overhead salaries, but all other General Overhead account expenditures. The names of account titles, other than General Overhead, are not printed in on Form 34 and they need not be written in unless desired as the numbers given will suffice for identification of activities in making the summarization. When the front of the Form 34 will not accommodate the number of employees whose Forms 34-a are to be summarized, the front may be used as the right hand page and the reverse side as the left hand page in the binder, thus making available more columns for employees. By inserting sheets with the two right hand columns cut off columns are made available for an indefinite number of employees. Form 34 is designed for use also in summarizing the salaries distribution by projects and for distribution of the indirect charges to such projects by writing in the "Account" column the name of such projects and salary distribution to them as shown on the reverse sides of Forms 34-a. The amount of indirect expenditures distributed to projects should agree with the total distribution of indirect to the activities on Form 34 representing a summary of

such projects. Indirect should not be distributed to individual fires and detailed maintenance or other detail accounts unless the information is desired for local use.

The hours worked on the activities to receive overhead will be the general basis on which the distribution is to be made. This basis should be used, however, with some discretion. In the basis should be included the time of all employees engaged on general administrative work who distribute their time by Service Report. The tendency of this method is to place too much overhead on certain classes of specialized work. For instance, when a number of scalers are included in the distribution on Form 34, the number of hours on Timber Sales is apt to be so great as to draw an unwarranted amount of overhead. It is advisable when such conditions exist to reduce the hours on each activity to per cents as a means of judging the propriety of overhead which each activity will draw. Activities clearly out of line may be adjusted by omitting the time or part of the time of some employees from "Hours Used" column to be used for distributing overhead. When any such necessary adjustments have been made, the distribution should then be made by dividing the total hours for all activities to receive overhead into the amount of General Overhead expenditures in order to obtain the hourly rate. In doing this care should be exercised to exclude from total hours the hours shown for those activities that are not to receive overhead. The hourly rate should be applied to the number of hours allocated to each activity. The total of the extensions should equal the total General Overhead expenditures shown on the first two lines of the form, expenditures other than salaries having been entered on the first line from the activity expenditure record. This distribution should then be entered on the project sheets Forms 19-h and the activity expenditure sheets Form 21-i as "Indirect Forest Expenditures," the account No. 1—General Overhead being cleared at the same time by red ink entry. After this has been accomplished, the totals will be brought down as "Total Forest Expenditures."

These three items, namely "Direct Forest," "Indirect Forest," and "Total Forest Expenditures" constitute the figures to be used in preparing the Expenditure Statement, Form 43.

#### REGIONAL OFFICE

The closing of the Activity Expenditure records in the Regional Office will be similar to that on the Forest. Chargebacks to forests should be determined as soon as possible after June 30, and the forests furnished statements of such charges by activities and projects, decreasing at the same time the proper accounts on the activity records. All regional office chargebacks will be in sufficient detail to enable the forest or other unit to properly classify the charges to activities and projects. Single pieces of equipment costing \$100.00 or more will be



itemized. Outstanding liabilities as of July 31 should be included and all other necessary adjustments entered. A reconciliation of these adjustments will be made to see that the activity records are in balance with the regional office disbursements as included in the July 31 financial statement.

## ANNUAL ACTIVITY EXPENDITURE STATEMENTS FOREST

A transcript of the activity expenditure records excluding Account No. 27—Nurseries (for which separate Form 43 will be prepared) should be made on Form 43, Activity Expenditure Statement, and submitted to the regional forester not later than August 15. Care should be taken to see that the reconciliation statement prepared as proof in closing the activity expenditure record is filled in on the reverse side of the statement. The total expenditures as shown by final Form 44, Financial Statement, should be taken up showing (a) "Cooperative Work, F. S.," (b) "Cooperative Repayments," (c) "Undeposited Cooperation," and (d) in one item, all other appropriations. In the reconciliation statements for forests embracing nurseries, account No. 27—Nurseries, will be deducted and treated as a transfer of expenditures to the nursery unit.

Net receipts will be entered in the column provided. "Net Receipts" as shown on the face of Form 43 will include only those funds included in the official annual statements of receipts as reported by the regional fiscal agent and will not, therefore, include grazing fees applied to improvements or timber sale receipts to land exchange. Such amounts will, however, be shown separately on the back of Form 43.

Unit costs will be calculated as provided for on the reverse side of the form. The data for grazing should be taken from the previous calendar year grazing report and should exclude exempt stock. To the grazing receipts for the fiscal year will be added receipts applied to the construction of improvements under Reg. G15 and G16. The data for timber sales will be compiled from the quarterly reports of timber cut and sold, using fiscal year figures, and should include timber actually cut under land exchange agreements during the fiscal year. Average price per M. is determined by dividing the total value of timber cut by the number of M. feet cut. Under Total Operating Expenses should be included only the total of Expense and Protection accounts after General Overhead has been prorated excluding Account No. 17—Maint. Roads, Forest Highways. The preparation of this portion of the expenditure statement will be facilitated if the statistical data are compiled as much in advance of the time the calculations are to be made as possible. **The grazing data in particular can be worked up after the annual grazing report is completed.**

## EXPERIMENT STATIONS, TAX INQUIRY, FOREST PRODUCTS LABORATORY AND NURSERIES

Experiment stations, the Tax Inquiry Unit, the Forest Products Laboratory, and Nurseries will report their activity expenditures on Form 43, using only the accounts applicable to their work as previously given. The total expenditures reported on Form 43, should agree with the total expenditures from all appropriations as shown on the voucher register. If transfers of expenditures have been made to or from the station on account of details or for other reasons, such adjustments should be included in or deducted from the reported expenditures as the case may be and shown in the reconciliation statement on the back of the form. In the case of Nurseries located on forests the total of the statement must agree with the amount shown on the forest statement as transferred to the nursery unit

### REGIONAL OFFICE

A separate expenditure statement, Form 43, is not necessary for regional office disbursements, compilation of the region expenditure statement, Form 43-a, being made direct from the forest expenditure statements and the regional office activity records.

Forest statements should be checked as received to see that they are in balance with the forest's final Form 44, taking into consideration adjustments that have been made between forests and other units. The unit costs should also be checked. When all forest statements are found to be in proper shape they should be combined on Form 43-a, Regional Activity Expenditure Statement, and Form 43-b, Regional Activity Unit Expenditures, for the region, and regional office expenditures added thereto, Central Purchase being included with Regional Office. After all activities have been included on Form 43-a, the totals of all activities will be entered in the next available block. The statement will be supported and accompanied by a reconciliation statement, prepared without regard to appropriations (except as to cooperative funds and appropriations excluded from the expenditure statement, which should be specifically given following the outline for the reconciliation on the back of Form 43 and prepared on letter size paper). The reconciliation statement should take into consideration all details and expenditures transferred to and from the regions by regions, but employees involved need not be listed. The net total should agree with the total of the regional expenditure statement covering forests, and with the regional July 31 financial statement submitted to the Washington Office, when adjustments between Regions, Experiment Stations and Nurseries, and appropriation items excluded from the expenditure statement are considered. Bureau of Public Roads expenditures of Forest Service funds for the region should be included. Separate statements (Form 43-a)



will be made for regional nurseries and experiment stations, including Regional Office Research. Where there is more than one Experiment Station in a Region, the data on forms 43 will be reported on one Form 43-a. The same applies when there is more than one nursery in a region. The data for compilation of Form 43-b will be taken from the reverse sides of the Forest Statements, Form 43, the totals for Forests being extended to the "Total Forests" column. To these figures will be added the regional office expenditures as shown on Form 43-a and the totals extended into the last column. The Forms 43-a and 43-b should have the pages numbered with pencil and should be forwarded in time to reach the Washington Office not later than September 10. They should be neatly prepared by typewriter, pica type, with good ribbon suitable for photolithographing, and mailed without folding.

### WASHINGTON OFFICE

Expenditures to be charged back to the regions, such as Acquisition expenditures, Fire Cooperation and Distribution of Forest Planting Stock, will be furnished the regions immediately after July 31, for inclusion in the regional statements. The expenditures of the Washington Office will be summarized by appropriations for general administration. Summary statements for the Service will also be prepared from the regional statements as follows:

- (1) Activities by Regions.
- (2)       "       " Nurseries.
- (3)       "       " Experiment Stations (including Forest Products Laboratory and Tax Inquiry).
- (4) Activities by States.
- (5) Appropriations by Regions.
- (6) Receipts by States and Classes (summarized by Regions).
- (7) Bureau of the Budget object symbols by Regions.

The statements will be photo-lithographed and distributed to the regions, sufficient copies of each regional statement being furnished to supply each supervisor with two copies and one copy for each ranger. Five copies of the statement for the entire Service will be furnished each Region.

### ACTIVITY COSTS AND INVESTMENTS

One of the purposes of the cost accounting system, is to furnish accounting information for use in the control of resource costs in relation to the public benefits derived as a result of the incurrence of such costs. While this purpose is served in part by the information presented in the activity expenditure records, the economic aspects of the situation are more fully developed when activity costs and investments are presented. Although the value of some of the benefits derived from the resources of the national forests are not definitely measurable in

the same terms as costs, if costs be ascertained with a fair degree of accuracy, they afford a basis for judging whether the benefits accruing during the same period are worth what they cost.

The question of the amount of funds that should be applied to the protection, utilization, and development of the national forest resources is an economic question none the less because some of the benefits are of an intangible or immeasurable nature. Administrative accountability requires that the costs of benefits be ascertained for definite periods in such terms that comparison may be had with the tangible and intangible benefits produced during the same periods as a basis for judging economical management. The accounting procedure necessary to make this possible is concerned with providing for systematic adjustments in the activity expenditures and maintaining such records as will result in the allocation of expenditures for particular benefits to the same accounting period in which such benefits or results are produced.

In addition, therefore, to the objectives explained in the activity expenditure section, the procedure for the activity costs and investments section of the cost-accounting system is designed to accomplish the following objectives: (1) Cumulative records of investments, (2) Depreciation as a cost, and (3) Adjustment of deferred and accrued charges. The following explanations are made with respect to these objectives:

#### *Cumulative Record of Investments*

Investments in resource assets are necessary for the protection, utilization, and development of the national forest resources. It is the aim of economical management to keep these capital investments as low as possible, (1) because they add to the current cost of operation through the distribution of their deterioration or depreciation to current costs, and (2) because they represent money invested for the utilization of the forest resources which should to avoid an economic loss, produce net results at least as valuable as the interest value of such money. It is not, however, contemplated that interest on invested capital shall actually be accounted for as an item of cost in this cost system.

The cumulative investment record on Form 21-J will be built up from the current activity expenditure records. One of its major purposes is to provide the accounting data from which to determine the depreciation costs that should be taken up periodically in the various accounts benefited in addition to the costs currently recorded in the activity expenditure records. It would simplify matters if each investment pertained exclusively to one resource. This, however, is not the case. Improvements at a ranger's headquarters, for instance, may render service to all resources. It will be the aim, however, to record investments by such projects as will facilitate determination of the



proper amount of depreciation to be included in current resource costs and other accounts. For instance, instead of grouping all timber surveys in one account, accuracy may be served by recording these investments in some cases by projects. Costs of timber surveys in a sale that will run 5 years can be quite accurately charged off over the period of the sale or according to the rate of cutting, but if included with all other costs of timber surveys, the proper amount to write into current costs would be more difficult to determine. What project accounts of this nature are needed for investment record purposes will depend on the circumstances, and each situation should be carefully analyzed to determine what should best be done in the interest of accuracy and practicability. Investment projects of this nature should not be carried to the extent of being unduly burdensome. Before individual projects are set up under such an account as Timber Surveys and Plans, it should be considered whether a fair degree of accuracy cannot be obtained by carrying a general account for Timber Surveys and Plans for each fiscal year, and writing off the amount over the period of time decided upon as equitable.

Aside from determining depreciation costs, there is the more general need for knowledge as to the total value of investments in assets at stated periods. For this purpose investments which do not depreciate will be included in the cumulative record of investments as well as those that do.

### *Depreciation as a Cost*

The term "depreciation" in this cost system is used to designate all decreases in value of assets that are to be written into current costs, and its use should be construed to include items which might more properly be referred to as depletion, deterioration, etc. No allowance is to be made for appreciation in values.

Depreciation on improvements, equipment, or other depreciating assets, as a factor in costs, arises only because the fiscal or other period when information concerning costs is desired does not coincide with the service life of the improvements and other assets used. If an improvement were entirely used up during an accounting period, its cost could be treated solely as an expense of operations to be charged to that period. But because the life of the various depreciating assets is not uniform in length and overlaps into several accounting periods, the costs are properly allocated by means of writing into the costs of each accounting period the amount of depreciation on assets which has taken place during the period.

Depreciation of tangible property arises from three main causes: (1) Physical, (2) Functional, and (3) Accidents or contingent causes. Under physical depreciation is included wear and tear from operations and action of time and the elements. Functional depreciation includes

loss of value through inadequacy or obsolescence. A trail of a certain class may become inadequate for the traffic over it as the result of increased use, making it necessary to abandon it and construct one of a higher standard; an instrument or piece of equipment or even a building may become obsolete because of new inventions, new developments or radical changes in the work to be performed, causing its abandonment even before it has been worn out by use or wear and tear of time. Depreciation in value of assets from accidents or contingent causes, such as diseases, fire, wind, etc., is not uncommon. Depreciation of intangible property such as a grazing plan is usually dependent on lapse of time or abandonment. Thus all assets tend to increase in value and nothing that can be done can do more than retard the inevitable. The above causes of depreciation should be considered in estimating the amount of it. The fact that a building will last 50 years if properly maintained may not be the deciding factor in applying depreciation. If it can be foreseen that developments will eliminate the need for the building in 25 years, that may be the influencing factor.

The application of depreciation procedure in accounting serves a number of purposes. It will have particular significance in Service accounting from the standpoint of indicating present values of investments in assets and in ascertaining correct costs of current operations, with emphasis on the latter. It is evident that it cannot be determined accurately, but systematic and careful estimates properly recorded produce results that may be accepted as facts for practical purposes.

The methods of calculating depreciation are numerous, but for simplicity and practicable purposes the straight line method will be the basis to be used by the Forest Service; the straight line method being modified to the extent that the life in years will be converted to percent which, in turn, will be used in calculating the annual amount of depreciation to be written into costs. (See also instructions under life terms.) As an example under the foregoing, the assigned life is considered as equal to 100% and the annual rate the total percent divided by the number of years. Thus, for a project assigned a life term of 50 years, the annual rate would be 100% divided by 50, or 2%.

Under this method the investment would be wholly depreciated at the end of the life term assigned, provided no additional costs have been added during the life.

In the latter event, the life is automatically extended and ordinarily there would be no change in the annual rate. However, in event it is desired that the investment be wholly depreciated as of a given year, the annual rate would be adjusted accordingly.

It will be the practice of the Service to allow for no scrap value in advance of realization. The scrap or salvage value, when it occurs, will be included in project or activity costs when the materials are



used, or its value taken up as an investment in "Stores" until such time as used.

In some instances, depreciation or loss of value will be calculated on the basis of amount of use rather than strictly on a flat rate on an assumed life period of use. This method will apply, for instance, when considered more desirable in the case of trucks, graders and other power driven equipment, the amount of depreciation for any given fiscal period depending on the amount of use and condition of the equipment as the result of such use. The method will also apply in the case of timber survey costs applicable to a particular timber sale, the write-off of cost being proportionate to the amount of timber cut during the fiscal period. The application of depreciation to individual pieces of equipment on the basis of use or otherwise will be restricted to equipment costing \$100 or more but may be extended in exceptional cases to less expensive equipment which it is desired to depreciate individually in the interest of more accurate costs.

All other equipment will be considered as being 100 per cent efficient or as suffering no loss of value so long as it is carried on the records as usable. Only semi-expendable and non-expendable equipment and property are to be classed as investments and a cumulative record maintained for it. The value at cost of equipment, other than equipment costing \$100 or more, through loss, theft, wearing out and condemning, breakage or other destruction, during a fiscal period will be considered as the measure of the loss in value of such equipment investment in lieu of applying any rate or rates of depreciation. If property to which no depreciation has been applied currently be condemned and sold, the difference between the cost and selling price will be included as depreciation chargeable to the fiscal period in which the sale is made. If depreciation has been applied currently to such property, the amount thereof should be deducted from the aforementioned difference. For this method of ascertaining depreciation on equipment to be equitable, it is essential that property that is no longer usable should be disposed of currently and not be permitted to accumulate and cause a heavy charge at irregular periods.

Depreciation will not usually be applied to improvements in the year in which such improvements are constructed. Depreciation may be applied, however, in such cases, if practically a full season's use of the improvements has been secured and the application is necessary for accurate costs for that year. This principle will apply in the case of equipment where conditions warrant.

#### *Adjustment of Deferred and Accrued Charges*

As a means of further ascertaining correct costs for current operations, it sometimes becomes necessary to defer expenditures that are recorded as expenses in one period to a subsequent accounting period. For instance, if considerable marking on a timber sale area is done and

the timber will not be cut until the next accounting period, the cost of the marking may properly be deferred until the period in which the timber is actually cut and removed, so that costs will show properly in relation to timber reported cut and removed. Costs of this nature which closely offset as between accounting periods need not be adjusted. The deferring of expense charges from one accounting period to a subsequent period has the effect of making such expense charges a temporary investment or asset, and in reporting values of assets such charges will be included in the current period. In the subsequent period, these deferred charges will be taken up as expenses or current costs of that period, or such part of them as may be properly chargeable thereto, and the asset account decreased accordingly.

Accrued charges are obligations that exist at the end of a fiscal period for benefits obtained during such period but which are not paid for and included in the accounts for the period. Rent of an office, if not paid for and included in the accounting period benefited, would be an accrued charge. The Service has little or no such charges that require adjustment. Such charges arise in connection with continuing appropriations, since all obligations unpaid on June 30 are charged into the accounting records for the next fiscal period. When this results in improper costs, adjustments should be made by taking up such obligations in the current cost records and leaving them out of the subsequent year's costs. Ordinarily maintenance costs of roads and trails as well as other costs involved in continuing appropriations paid in a fiscal year subsequent to the one in which incurred will not require adjustment, it being considered that they offset as between fiscal periods.

## ACCOUNTING RECORDS

### *Activity Costs*

In ascertaining activity costs, the procedure is more one of adjusting and correlating the accounting information obtained under activity expenditure accounting than of recording current business transactions. No additional records providing for day to day entries are therefore needed for recording current costs, but additional records are required for recording cumulative investments and depreciation. Such recording of costs as is necessary will be made on the Activity Expenditure sheets, Forms 21-i, immediately following the last entry thereon for "Total Forest Expenditures." When these adjustments of costs, such as distribution of depreciation and maintenance charges affect projects, or accounts, carried on Forms 19-h, the entries will first be made on Forms 19-h and later carried to the Activity Expenditure sheets 21-i, by summarization. Thus, Forms 19-h will be complete as to investment and other costs by projects.

The activity costs and investments section of the cost accounting system is concerned primarily with the ascertainment of resource ex-



penses and investments in resource assets as distinguished from expenditures. The resource expense account for a fiscal period, as ascertained in the activity expenditure records, represent in part the costs of the benefits for that period arising from the utilization of the national forest resource. The adjustment necessary to convert the activity expenditure accounts into cost accounts may in some instances indicate the need for expansion accounts in the activity expenditure classification that will permit of more accurate adjustments. It is within the discretion of the regional forester or forest supervisor to initiate expansion accounts to supply this need.

#### *Investment and Depreciation Records*

Form 21-j, Investment and Depreciation Record, is devised to serve several purposes, i. e., it serves as a cumulative record of amounts invested and also as a record upon which to compute and record, and from which to charge into operating costs, the decrease in investment values due to depreciation or using up of assets in current operations. It is to be used for all kinds of investments, such as improvements, equipment, other investments, stores, and deferred charges. No investment record is to be set up covering land and timber except that which is acquired through purchase, exchange, donations, or additions by proclamations. This will eliminate from consideration, therefore, as investment the greater part of national forest lands under Forest Service administration.

The various investments carried on Forms 21-j will be grouped in an accounts binder as follows:

#### Improvements:

- Fire Control and Administration
- Roads, Forest Development
- Roads, Forest Highways
- Trails
- Telephone Lines
- Fire Breaks
- Lookout Houses
- Lookout Towers and Observatories
- Dwellings, Headquarters
- Dwellings, Temporary Stations, etc.
- Barns, Headquarters
- Barns, Temporary Station, etc.
- Office, Headquarters
- Office, Temporary Station, etc.
- Other Structures, Headquarters
- Other Structures, Temporary Station, etc.
- Fences, Headquarters
- Fences, Temporary Station, etc.
- Water, Headquarters

- Water, Temporary Station, etc.
- Public Service
  - Camp Buildings
  - Water
  - Improved Camp Grounds
- Range
  - Fences
  - Corrals
  - Improved Stock Driveways
  - Stock Bridges
  - Water Development
  - Other Projects, such as larkspur eradication, rodent control, etc.

Other Investments

- Acquisition, Exchange and Gift
- Acquisition, Purchase
- Reforestation
- Nurseries
- Timber Surveys and Plans
- Grazing Surveys and Plans
- Fish and Game Surveys and Plans
- Recreation Surveys and Plans
- General Surveys and Maps
- Timber Stand Improvement

Equipment and Stores

- Equipment Road & Trail, Large
- “ “ “ “ Small
- “ Fire, Large
- “ “ Small
- “ General, Large
- “ “ Small

Stores Accounts

Deferred Charges

- By classes of charges: as,
- Marking Timber
- Etc.

The upper part of Form 21-j, Investment and Depreciation Record, is for statistical purposes and the lower part for maintaining a record of the investment as to original cost, annual depreciation, and present value. For improvements and other projects the “Explanation” column may be used to itemize the cost by appropriations, contributed time and expense, overhead, depreciation on equipment included in cost, etc. Such details will usually not be needed for record purposes on this sheet and may be omitted. In the upper right-hand corner of the form a space is provided for showing the Resource classification. Investments are to be classed according to the national forest resource



to which they pertain. In addition, investments which benefit exclusively the accounts grouped under the headings, "Protection," and "Cooperation and Miscellaneous" are to be classified as "Protection" and "Cooperation and Miscellaneous," as the case may be. Those investments which benefit two or more national forest resources or several classes of accounts will be classified as "General." The complete list of the resource classes of investments are as follows:

- Timber
- Grazing
- Fish and Game
- Recreation
- Water
- Land
- Protection
- Cooperation and Miscellaneous
- General

The classification of an investment will ordinarily remain the same throughout its life period, but if there is actually a change in the character of use, the classification should be changed accordingly. For instance, a building constructed for general administrative use might be taken over for exclusive use in nursery or reforestation work, which would change the classification from "General" to "Timber."

The procedure to be followed in initiating and maintaining the various investment records is as follows:

#### *Improvements*

The record is to be maintained on a fiscal year basis. In initiating the records, the data will be taken from the records maintained heretofore on Form 428, Improvement Project Record.

Improvements acquired without cost which are used and maintained by the Service should be given an appraised value and taken up in the column "Cooperation and Acquired" and extended to the "Total to Date" and "Present Value" columns. There will be shown in the last column on the annual investment statement, Form 43-d, along with the costs of cooperative improvements the original appraised value of improvements acquired without cost. Depreciation on such improvements will be applied as for regularly constructed improvements.

The procedure used in obtaining costs of improvements in the past has differed somewhat from the procedure to be followed in the present cost-accounting system. In the past indirect or overhead charges have not been distributed to improvements. On the other hand, the full cost of equipment purchased for a project has been included in the cost of the project. Much of this equipment will now be taken up as an investment and depreciation on such equipment charged into operating costs and costs of improvement projects on which used. As a whole, it

is quite likely that project costs as carried on Forms 428 are somewhat low. Nevertheless, they will ordinarily be taken up in the cumulative investment record as the cost of such projects without change. Any waivers of contributed time on buildings should be included in the original costs of such buildings in the new investment records even though this should cause the project to show costs above the statutory limit, the reasons therefor being shown in the statistical block on Form 21-j.

For the purpose of the new record, calendar years as appearing on the old record may be treated as being fiscal years on the new record if the exact fiscal year is not readily ascertainable. If construction of the project has extended over several years, the construction accomplished each year should be entered on the form and the depreciation and present value carried down to and including the next year in which additional construction is entered. In entering depreciation for past years where several years' depreciation is to be entered consecutively, it may be entered in a lump sum if desired. The following represents the record of a fence 10 miles long constructed in 1915 with additional construction, partial abandonment and sale being involved, the annual depreciation rate being 6 2/3% based on a life period of 15 years, dating from the fiscal year 1916:

(1)  Explanation	(2)  F. Y.	(3) Cost				(4)  Real- ized from Sale & Salv.	(5) Depreciation		(6)  Present Value
		(a)	(b)	(c)	(d)		(a)	(b)	
		Trans. Aband. Sold, Lost, Destr.	Coop. & Acq.	Other	Total to Date		Annual Phy. & Funct.	Aband. Destr.	
1. Inventory 10 Mi.	1915		200.00	300.00	500.00				500.00
2. Dep. (3 Yrs.)	1916 1918						100.00		400.00
3. Aband. 2 Mi.	1919	100.00			400.00	25.00		55.00	320.00
4. Dep. (1 Yr. )	1919						26.66		293.34
5. Add. Const. 3 Mi.	1920			180.00	580.00				473.34
6. Dep. (1 Yr. )	1920						26.66		446.68
7. " (5 Yrs.)	1921 1925						193.34		253.34
8. Sale 4 Mi.	1925	210.92			369.08	40.00		30.31	183.03
9. Dep. (5 Yrs.)	1926 1930						123.03		60.00
10. " (1 Yr. )	1931						24.60		35.40
11. " (1 Yr. )	1932						24.60		10.80
12. " (1 Yr. )	1933						10.80		.00

As in the above example, depreciation will not ordinarily be applied to the year in which construction is accomplished. The annual rate (percent) of depreciation is determined by dividing 100% by the estimated life period in years; for example, 100%—15=6 2/3%. The



amount of annual depreciation is found by multiplying the cost to date (3-d) by the rate ( $6\frac{2}{3}\%$ ). Thus, item No. 2, amount \$100.00, represents depreciation on \$500.00 for the 3-year period 1916-1918.

Item No. 3 represents an abandonment of 2 miles of fence in the fiscal year 1919. Since the average cost per mile is \$50.00, the cost value of the two miles (\$100.00) is entered as a deduction in column 3 (a) which reduces the total cost to date in column 3 (d) to \$400.00. \$25.00 was considered as being the value of salvaged material, and is shown in column No. 4. In column 5 (b) must be entered the loss in value, if any, due to abandonment. Before this can be determined, the depreciation already applied to the 2 miles abandoned must be calculated. In this case 3 years depreciation has been applied. Therefore, the amount would be  $\$100.00 \times 6\frac{2}{3}\% \times 3$ , or \$20.00. After deducting this \$20.00 from the cost value of the 2 miles, the remaining \$80.00 represents the present book value thereof. Since \$25.00 worth of materials were salvaged, the actual loss from abandonment would be \$80.00 minus \$25.00 or \$55.00 which is entered in column 5 (b). The present value (column 6) would be \$400.00 minus \$80.00, or \$320.00.

Item No. 4 represents 1 year's depreciation on the remaining fence for fiscal year 1919 ( $\$400 \times 6\frac{2}{3}\%$ ) or \$26.66. This is entered in column 5 (a) and after deducting in column No. 6, the present value equals \$293.34.

Item No. 5, represents additional construction of 3 miles in the fiscal year 1920 at \$60.00 per mile, bringing the cost to date to \$580.00 and the present value to \$473.34.

Item No. 6 represents one year's depreciation on \$400.00 for the fiscal year 1920. No depreciation being taken on the new construction during that year.

Item No. 7 represents depreciation for 5 years (1921-25) on \$580.00 ( $\$580.00 \times 6\frac{2}{3}\% \times 5$ ), or \$193.34. After these items are properly entered the present value (col. No. 6) is \$253.34.

Item No. 8 represents entries covering the sale of 4 miles of fence for \$40.00. The cost value entered in column 3 (a) is determined as follows: The total cost to date \$580.00 is divided by the total length, 11 miles, resulting in an average cost of \$52.73 per mile. Then  $\$52.73 \times 4$  or \$210.92 equals the cost value of the 4 miles sold.

The cost to date now becomes \$580.00 minus \$210.92, or \$369.08. In determining the loss to be taken up as depreciation, the same principle as in item No. 3 will be applied. From the cost value of the 4 miles sold (\$210.92) will be deducted the depreciation previously taken on the 4 miles. This amounts to  $\$210.92 \times 6\frac{2}{3}\% \times 10$  years, or \$140.61, which deducted from \$210.92 gives \$70.31 the present book value of the fence sold. Since the amount received (\$40.00) was less than the present book value, the difference (\$30.31) is taken up as repre-

senting the loss or depreciation through sale and entered in column 5 (b). The present value now becomes \$253.34 minus \$70.31, or \$183.03.

Item No. 9 represents depreciation on the remaining fence for 5 years and is determined as follows:  $\$369.08 \times 6 \frac{2}{3} \% \times 5$  equals \$123.03, leaving the present value \$60.00.

In this example it will be noted that while the life term assigned was 15 years and at the close of fiscal year 1930 depreciation has been taken up for that number of years, there remains a present value of \$60.00. This represents the undepreciated value of the fiscal year 1920 construction, on which depreciation will be continued at the same rate ( $6 \frac{2}{3} \%$ ) until wholly depreciated as shown by items No. 10, No. 11, and No. 12.

It should be noted that in column 5 (a) is entered only depreciation of a physical or functional order that has been applied currently. Depreciation due to these causes but which has not been entered currently and depreciation or loss through destruction which are applied in a lump sum at the time of abandonment, sale or destruction, are entered in column 5 (b). The sum of the entries for the fiscal year in columns 4, 5 (a) and 5 (b) deducted from the previous "Present value" gives the current "Present Value." The sum of the entries in columns 5 (a) and 5 (b) for the fiscal year should always be taken as the total amount of depreciation for that year for purposes of distribution to cost.

Amounts entered in column 4 representing realizations from sales receive no further treatment than are given on Forms 21-j and reported on Forms 43-c, Cost Statement and 43-d, Investment Statement. The separation of depreciation as given in columns 5 (a) and 5 (b) is for the purpose of making the relationship between depreciation as given in column 5 (a) and the original cost as given in column 3 (d) more comparable.

If, in the above example, the amount shown in column 3 (b) represented cooperation of \$200 on an improvement that was to be amortized through application of grazing fees, entries would be made each year transferring from column 3 (b) to column 3 (c) the amounts thus applied. Such transfers would have no other effect on the entries on the form or on any of the calculations.

The foregoing example is purposely made to cover a number of problems that may only occasionally be encountered after the investment records have been brought up to date. Most projects will represent merely the application of depreciation over their life periods without complications of partial abandonment, additional construction, or sale.

The application of depreciation to a dwelling or other project does



not affect in any way existing statutory limitations as to the amounts that may be expended for such improvements. The original cost of the project is the determining figure rather than its depreciated or present value in deciding whether additional construction to the project may be undertaken.

Ordinarily in the case of buildings, additional construction will not be considered as lengthening the life term of the original improvement, in which case adjustment of the annual rate should be made as previously stated. This rule may hold good in the case of other improvements or projects to which construction is added. If parts of a project have life terms so varying that the situation cannot be adequately covered by assignment of a common life term, it will be necessary to carry the parts on separate Forms 21-j, since the form provides only for the application of depreciation to a project or parts of the same project, the lives of which will expire at the same time. A salvage value will not be considered until it actually occurs; that is, at the time of sale or abandonment. If a project which shows a "Present Value" is reconstructed, the difference between the estimated salvage value and "Present Value" figure on Form 21-j will be entered as depreciation for the year in which reconstruction is undertaken, or in the preceding year if foreseen and more appropriate. The salvage value will be included in the cost of the reconstructed project or on whatever project used. When salvage materials are of an amount worth considering as an investment the value thereof will be entered in column 4 on Form 21-j and taken up on Form 19-h as a part of the new project as contributed expense (Memo) if the salvaged material is used on construction within the current fiscal year. If the salvaged material is not to be used within the current fiscal year, the value thereof will be taken up on separate forms 21-j as an investment in materials and reported in the Stores Account under the classification "Equipment and Stores" until such time as the materials are used. When used, the Stores Account should be credited and the project or activity on which used charged.

For improvement projects lost by fire, accident or abandonment, the "Present Value" less previously applied depreciation will be taken up as the depreciation on the project for the year in which lost. If a project is transferred to another unit, a copy of the record will be furnished the other unit. Such a transaction will, of course, require appropriate entries decreasing the "Cost" and "Present Value" column figures to nothing. Transfers to other units and all other entries in column 3 (a) are deductible from column 3 (d) but in the case of a transfer from another unit the amount should be entered in column 3 (a) as a plus amount and reported in the corresponding column on the Cost Statement, Form 43-c, preceded by a plus sign. If the unit from which transfer is made has received the major benefit from the project

during the year, it will bear the depreciation for that year, in which event the record will not be transferred to the other unit until after the cost and investment statements at the close of the fiscal year have been made so that the project will only be included in the investment statement, Form 43-d, of the transferring unit. When a copy of the record has been transferred to the other unit the transferring unit will close its record of the project and remove the sheet from the live investment section.

When adjustment in the depreciation rate has not been made to correspond with the actual life of a project, resulting in the value of a project being wholly depreciated but the project is still in existence and use, the Form 21-j for the project should not be transferred to the closed section even though no more depreciation can be applied. Such projects should be kept in the live section of the investment record and reported only in the wholly depreciated column provided on Form 43-d, Investment Statement for statistical purposes only. When a project is finally disposed of by abandonment, even though still in existence, the Form 21-j will be reduced to nothing in both the cost and present value sections. Such deductions should always be supported by Forms 858 and should appear as a reduction in the statistical section of Form 43 (d) Investment Statement, and the record transferred to the closed file of Forms 21-j.

### *Life Terms*

The life terms to be assigned to the various improvement projects as a basis for calculating depreciation is for determination by the forest supervisor within the limits prescribed. The regional forester should give the matter such study and attention as will make for uniformity as between forests. Probably the usual tendency will be to assign too long life terms, due to not giving enough consideration to functional depreciation, and this should be guarded against. It is recognized that the life term for individual projects under any class of improvements may vary considerably and no hard and fast rules can, therefore, be established for uniform application. However, recognizing that there would be considerable variance in the length of life terms assigned if no limitations were prescribed and considering that the Forest Service is chiefly interested in securing uniform depreciation charges by writing off investments over a more or less uniform period of years, rather than in determining the exact life period of a given project or improvement, the following table of maximum and minimum life periods is adopted with the exception that where it can be definitely foreseen that a project should be depreciated in less time than the minimum given, the shorter period should be used:



## LIFE TERMS FOR IMPROVEMENTS

Roads (except Forest Highways).....	25-50 years	
Road Bridges, \$500.00 or more, (except Forest Highways) .....	20-30	"
Trails (Primary and Secondary).....	25-50	"
Trail Bridges (\$100.00 or more).....	20-30	"
Ways .....	10-25	"
Telephone Lines .....	15-30	"
Fire Breaks .....	10-25	"
Lookout Houses .....	20-30	"
"    Towers & Obs. (Steel).....	20-30	"
"    "    "    (Wood).....	10-20	"
Dwellings, Headquarters .....	20-40	"
"    Temp. Station .....	10-15	"
Barns .....	10-20	"
Offices .....	20-40	"
Fences, Hdqrs. & Temp. Sta. ....	10-20	"
"    Range .....	10-20	"
Water, Hdqrs. ....	20-40	"
"    Temp. Sta. ....	10-15	"
"    Range .....	10-20	"
Other Structures .....	20-30	"
Floats and Docks .....	4-10	"
Miscellaneous:		
Garbage Pits (all) .....	5-10	"
Scalers' Cabins (etc.) .....	5-10	"
Improved Camp Grounds .....	10-20	"
Camp Grounds Improvements.....	10-20	"
Stock Driveways .....	10-25	"
"    "    Bridges .....	10-25	"
Equipment:		
General, Large .....	3- 5	"
Fire, " .....	3-10	"
R. & T., Large.....	3- 5	"
General Surveys and Maps.....	5-20	"
Recreational Surveys and Plans.....	10-20	"
Grazing Surveys and Plans.....	5-20	"
Timber " " " .....	Life of Sale, Plan, or Annual Cut	

Fish and Game Surveys and Plans..... 5-10 years

Depreciation will be applied to all the above classes of investments.

No depreciation will be taken on such investments as Lands, Timber, Reforestation, and Nursery Stock.

The feeling that there is no depreciation because an improvement is

being well maintained will usually be overcome by a consideration of what has happened under similar circumstances in the past outside the Service and in some instances within the Service. New developments and the march of progress are often greater factors in depreciation than wear and tear of use and the elements. Even the best constructed dirt roads are not likely to bring to the period in which they may be surfaced with concrete the full value of their original cost. Invariably, in such projects changes of one kind or another lead to a partial loss of the original investment.

The fact that depreciation appears to be such a problematical factor in costs should not militate against its careful calculation. It is usually such an important factor in obtaining even a fair indication of true costs and true values of investments that a careful estimate and consideration of it cannot be dispensed with in efforts to attain sound financial management.

As Service experience develops in the matter, adjustments in the annual depreciation rates may become desirable. This may be done at any time by assigning a new depreciation rate which will spread the undepreciated balance or present value of the project over the expected remaining life. If conditions change so that the life term of a project is materially affected, the record should be changed accordingly. For instance, if a project assigned a life term of 20 years has 15 years to run and it develops that it will be necessary to abandon the project within three years, the best adjustment that can be made is to apportion the "Present Value" over the three remaining years instead of waiting the three years and letting the entire burden fall on the last year. Likewise, when it becomes apparent that a project will last longer than originally estimated, the "Present Value" may be extended over an increased life period.

At the close of each fiscal year or as opportunity offers during the year, the improvement investment projects should be gone over carefully and depreciation entered in the "Depreciation" column for that fiscal year for all projects to be depreciated. This can usually be done before Forms 21-j are set up for new projects or additions to old projects are brought into the cumulative investment record at the close of the fiscal year. If, however, there are any cases of additions to old projects to which it is essential that depreciation should be applied that year as well as the old values, the amount of depreciation for such projects should not be entered until the costs of additional construction are brought into the cumulative record. In case of additional construction costs to a project, such additions must be included in the "Present Value" reported at the close of the fiscal year.

When all adjustments in activity expenditures have been made at the close of the fiscal year as hereinafter outlined so that improvement projects on Forms 19-h show total costs for the year, a Form 21-j



should be set up in the cumulative investment record for each new project and the fiscal year costs entered thereon. Additional construction costs on old projects should also be entered on their respective sheets in the cumulative record.

In grouping the various improvements, the following instructions should be observed:

Improvements grouped as headquarters improvements should follow the activity definition of headquarters improvements; that is, include the costs of construction of permanent improvements at both summer and winter headquarters stations of yearlong employees. Temporary station improvements include all other improvements not specifically grouped otherwise.

Roads should be grouped in accordance with the definitions of the investment accounts for the two classes of roads, but Forest Development Roads and Trails which may more properly be classed as Improved Stock Driveways should be so grouped.

Telephone Lines include Forest Service lines strung on poles belonging to private companies or to individuals as well as those strung on Service poles. In determining mileage of telephone lines for statistical purposes, show the number of miles of line (not the mileage of wires).

Lookout Houses. Includes houses on top of peaks or elsewhere from the interior of which actual lookout duty is performed, and in which the lookout lives.

Lookout Towers and Observatories. Includes all towers as well as all shelters on peaks or elsewhere from which lookout duty is performed which are not used as living quarters.

Dwellings. Includes all houses and cabins regardless of size constructed for dwelling purposes, including living quarters for lookouts, if not more properly classified as a Lookout House.

Barns. Includes all barns and stables, regardless of size or cost.

Offices. Includes buildings used exclusively or primarily for office purposes.

Other Structures. Includes all constructed improvements and structures not specifically grouped elsewhere, such as warehouses, store-rooms, toilets, root cellars, woodsheds, wharves, floats, sidewalks, etc. Portable tool caches and cabins should be considered an equipment investment.

Fences (Fire Control and Administrative). Includes yard, garden, horse-pasture fences and corrals not more properly grouped under Public Service and Range Improvements.

Water (Fire Control and Administrative). Includes all improvements pertaining to the domestic water supply, such as wells, wind-

mills, pumps, tanks, cisterns, conduits, dams, development of springs, sewer systems, etc., not more properly grouped as Public Service or Range. If it has been necessary to set up more than one Form 21-j for the parts of a project in order to apply depreciation to the parts, the parts should be combined and reported as one project in the Investment Statement, Form 43-d. Separate enumeration of the parts of a project for any other reason should be avoided in the Investment Statement. Thus, the development of a spring, and a pipe line from the spring to a building; and wells with windmills and pumps, or with pumps only, constitute but one project.

**Camp Buildings (Public Service).** Includes all buildings constructed on recreation sites for the comfort and convenience of the public, such as rain shelters, rest rooms, latrines, toilets, etc.

**Water (Public Service).** Includes walling up of springs, piping of water, installation of tanks, digging of wells, or other water development projects on recreation areas.

**Improved Camp Grounds (Public Service).** Includes all camp grounds that have been improved by the construction of fireplaces, tables, toilets, water development, etc. Camp grounds improved by Camp Buildings and Water should be included under Improved Camp Grounds; but the costs of such Camp Buildings and Water which have been reported under the separate headings should be excluded from the costs shown for the Improved Camp Grounds.

**Fences (Range).** Includes division, drift and boundary fences for control of range stock.

**Corrals (Range).** Includes corrals of every description (other than those used exclusively for stock owned by Forest officers or by the Government). Also includes dipping vats and counting chutes.

**Improved Stock Driveways (Range).** Includes driveways which have been improved by clearing, construction of trails, bridges, etc. Trails or roads primarily for stock driveways should be included here and excluded from the Roads and Trails groups.

**Stock Bridges (Range).** Includes suspension bridges, bridges of more than one span, and single span, that cost \$100 or more, constructed primarily for the crossing of range stock. When costing less than \$100, include with cost of driveway.

**Water Development (Range).** Includes all improvements for the watering of livestock on the ranges.

## OTHER INVESTMENTS

*Acquisition, Exchange and Gift*—In initiating this record the costs for previous years, as shown on the annual cost statements will be taken as representing investment in lands acquired through exchange.



Since this information is not available any further back than the 1922 cost report, it may be necessary to ignore expenditures prior to that year unless the information is available in some other record. Regional office overhead should not be included in the figures taken from the cost reports. To the total costs as taken from the annual cost statements should be added, as a separate item, the value of Government timber alone exchanged for land. Where land has been exchanged for land assumed to be of equal value, the investment records will not be affected. The value of timber alone exchanged for land, as well as the value of merchantable timber on land exchanged for land (minus the value of merchantable timber acquired) will be taken up as investment in land. The value of timber exchanged for land will be obtained from the reports covering the exchange. The total cost value of lands acquired by exchange will be entered on a Form 21-j and should include such values up to the beginning of the fiscal year in which the record is compiled. The acreage actually acquired during the period should be entered in the statistical section of Form 21-j and the acreage disposed of disregarded. Neither past acreage acquired nor costs pertaining thereto need be entered on Form 21-j by years but may be shown in total for the period involved.

No depreciation will be applied to this investment, but if any part of the forest involving exchanges is disposed of by transfer to another unit or otherwise, "Cost" and "Present Value" on Form 21-j should be reduced by the estimated original cost of acquiring the exchange lands within the area. If the transfer has been to another forest, that forest should be informed of the acreage and values involved so that they may be taken up in its investment record. It is not likely that the records of the past will show costs by individual parcels of land acquired through exchange proceedings, but if such information is desired for future transactions it will be necessary to carry them as projects in the activity expenditure records. Ordinarily the investment in lands acquired by exchange or gift may be maintained on one Form 21-j, which will result in a record of the additions to investments to forest lands, but not necessarily their investment value since in making exchanges of land no values are included for the land except the cost of making the exchange.

The record on Form 21-j will be kept up currently by adding at the end of each fiscal year, after all adjustments have been made in the activity expenditure records, the current year costs of the investment for the year as shown by those records.

*Acquisition, Purchase*—Records have been maintained covering the purchase of lands from acquisition funds. The value as shown by these records and the acreage acquired will be taken up on Form 21-j up to the beginning of the fiscal year in which the investment record is initiated. Insofar as the information is obtainable, the record may be carried

by individual parcels if desired. To these investment costs will be added the costs of "Acquisition and Exchange" as shown by the annual cost statement as far back as obtainable. If exchanges have also been made, a reasonable allowance for such should be made and included in the investment for "Acquisition, Exchange and Gift." Any values allowed for improvements in purchases should be eliminated from the acquisition investment and included in the improvement investment. Values of land and timber acquired need not be segregated. However, the investment in purchased lands will be decreased, when surplus mature timber on the acquired land is sold, by the net difference between the sale price of the timber and the cost of the selling and administering the sale.

At the close of the fiscal year the purchase of lands from acquisition funds by the Washington Office will be reported to the regions and forests concerned. Outstanding obligations at the close of the year will be treated as deferred charges on the Washington Office records and distributed to forests later on the basis of actual expenditures of such funds.

No depreciation will be applied to this investment. In addition to taking up the actual purchase price of lands and other expenses in connection therewith as paid for out of acquisition funds in the Washington Office, the costs as shown in the forest costs for this investment will be included on Form 21-j for the year involved. The acreage acquired through actual passage of title will be shown in the statistical section of Form 21-j.

*Reforestation*—Past investments in this activity of a small experimental nature may be disregarded if the records are not in condition to show the costs thereof. The investment in major projects will be obtained from the best records available. Where cumulative planting records have been maintained to show costs of projects, the investment record can best be worked up from that source. Forms 21-j may be carried for individual major planting projects and one Form 21-j for "Miscellaneous Planting." The record should be compiled up to the beginning of the fiscal year in which the cumulative investment record is initiated, the acreage being shown in the statistical section of Form 21-j. Beginning with the new cost-accounting records, the costs of major projects should be carried in the activity expenditure records on separate Forms 19-h, and minor projects may be grouped under "Miscellaneous Planting." Costs of seed collection should be carried as a separate project from actual field planting and treated as an investment to be written off as the seed is used up, or the costs may be transferred to the Nursery investments, if the seed are to be used by a nursery on the forest, and carried similarly to an individual piece of equipment.

At the close of the fiscal year after all necessary adjustments have been made in the activity expenditure records, the costs of Reforesta-



tion will be transferred to Form 21-j in the cumulative investment records. No depreciation is to be applied to this investment and no deduction will be made for failure or losses. The cost of nursery stock planted is included in the adjustments made in the activity expenditure records at the close of the fiscal year and thus become a part of the Reforestation investment.

*Nurseries*—The investment in nurseries on the forest books, should be in approximate agreement with the investment as shown in the nursery cost system. Exact agreement cannot be maintained since the forest costs are on a fiscal year basis and the nursery cost system covers the nursery year which may end with the calendar year or at some other time during the year. The total investment in nurseries will be represented partly under improvements, partly under equipment and partly under the Nurseries account No. 27 as Investment in Nursery Stock. In order that the nursery cost records and Service cost records for the activity may be as nearly in agreement as the two accounting periods will permit, the Service cost records for improvements, equipment, and investment in nursery stock should be taken from the nursery cost system, according to the last nursery report. The same amount of depreciation should be applied to nursery improvements and equipment and charged into the "Nurseries" investment as is applied in the nursery cost system each year. Thus, when the value of stock distributed is deducted from the "Nurseries" investment each year, the remaining investment should approximately agree with the value of stock on hand as shown by the nursery records.

The deductions for stock distributed on Form 21-j carried for Nurseries will be transferred to the forest investment, "Reforestation," if the stock was distributed to the forest on which the nursery is located; otherwise to the forest receiving the stock under its "Reforestation" investment. This deduction will be made at the close of the fiscal year after the charges to "Nurseries" on the activity expenditure records are entered on the investment record for Nurseries on Form 21-j.

*Timber Surveys and Plans*—The investments for timber surveys, management plans and appraisals to which depreciation is still applicable will be entered on Form 21-j for previous years for such costs as are obtainable from past records kept. This may be entered in project form if any accounting information of that nature is available from the forest records. Unless there is a better basis for constructing the record and applying depreciation, depreciation may be applied to previous years' costs on a ten-year life term, a Form 21-j being carried for each fiscal year's cost. It is not contemplated that any considerable effort will be made to go back into the records further than ten years in order to construct this investment record, although if adequate costs were kept for earlier years covering this activity, it is desirable that the investment record include them. As finally brought up to date on Form

21-j, the cumulative record should represent the present value of investments in this activity. Timber cut and removed must stand its share of the costs of all timber surveys and plans according to the most equitable basis that may be devised for the particular circumstances involved, even though the survey may not prove to be usable.

When the present cost-accounting system is initiated, it may be found advisable to keep some of the costs of timber surveys and plans by projects, and write them off over the period of sales or according to the rates of cutting. Costs of management plans will usually be written off over a period of years which it is believed the plan will be of major use. The mere fact that a management plan may be said to render benefit for practically an indefinite number of years should not usually result in the costs of such plans being prorated over an extended period of time. When the costs of timber surveys and plans are minor, a proration of costs on a ten-year basis will usually be satisfactory. When the costs become large, consideration must be given to carrying the investment under such projects as will facilitate the application of depreciation in a more equitable manner.

*Grazing Surveys and Plans*—This investment presents practically the same problem in construction of the initial record as that for "Timber Surveys and Plans," and the same instructions will apply. Costs of grazing surveys and plans will be uniformly charged into current grazing costs over such life terms as appear equitable in each case. Usually the distribution should not extend over a period of more than twenty years and a much shorter period is more applicable to some of the work carried under this investment.

*Fish and Game Surveys and Plans*—There is apt to be very little record as to past investments and it is doubtful if an initial investment record may be set up. Investments as determined from records to be kept hereafter will be posted to Form 21-j at the close of the fiscal year and should usually be written off on a ten-year basis.

*Recreation Surveys and Plans*—This investment should be set up if there are any available cost records on which to base it; otherwise, it may be initiated as necessary under the new cost-accounting system. Advance surveys of summer homes, when it is considered necessary to carry them as an investment, should be carried separately from general recreation surveys and plans so that the depreciation when applied may be charged directly to "Uses, Revenue." General recreation surveys and plans will ordinarily be written off over a period of ten years and charged to "Recreation, Nonrevenue."

*General Surveys and Maps*—Insofar as practicable, past investment costs to which depreciation is still applicable should be taken up as investment and depreciated to date to obtain "Present Value." The charges to general surveys and maps in the past under the old cost



system on most forests should not be considered investment, but where the work performed was of a project nature and the costs of it are ascertainable, the investment should be set up on Form 21-j and depreciated to date. A life term of from five to twenty years will ordinarily be used.

*Timber Stand Improvement*—If no data are available for past investments, the record will be initiated with the new cost-accounting system. Theoretically this investment should be written into the timber involved when marketed if the improvement pertains to a particular stand of timber. The improvement may be of a nature as affecting surrounding timber as well as the immediate timber to which the improvement is applied. It will be the practice to write off the investment costs into current timber sale costs over a period that may be equitable to current costs, instead of attempting to defer the write-off to the period when the particular stand improved is marketed, on the theory that such timber may have to later stand charges for such costs on account of other stands improved. In some instances, however, it may be necessary to withhold writing off the investment into current costs for a good many years, but it should not be the practice to permit such charges to pile up indefinitely as an investment.

## EQUIPMENT AND STORES

The cumulative record of investments in equipment will be carried on Form 21-j. The statistical part of the form will be filled out only to the extent applicable. The property records, Forms 331, will be used as the basis for appraising the value of equipment. If the unit value of the items is not shown on the property cards in every instance, the original cost should be estimated by reference to catalogues, vouchers, etc. Freight charges may be disregarded on property acquired in the past unless it may be readily ascertained from the records.

*Equipment Costing 100 or More*—A form 21-j should be made for each piece of equipment costing \$100 or more, or less expensive equipment to which it is desired to apply depreciation individually. Service animals should be handled on individual records, even though the individual cost is less than \$100.00. In addition to showing the name of the property or equipment in the space provided for "Project," the record should also show to which equipment account it belongs, as Road & Trail, Large, Fire, Large, or General, Large. In taking up property on hand at the beginning of the record on Form 21-j, the original cost should be entered in the column "Total to date," the year of purchase in the fiscal year column, the accrued depreciation in the proper "Depreciation" column, and the "Present Value" in the last column. At the end of each fiscal year after the "Total Forest Expenditures" entry has been made on the activity expenditure sheets, the value of equipment costing \$100 or more acquired during the year

as shown on those sheets should be taken up on Form 21-j by individual pieces. Items of freight pertaining to original delivery of such equipment should be included in the investment values. In order that such equipment and accompanying freight charges, if any, may be readily ascertained at the close of the year, the activity expenditure records should bear suitable notations for distinguishing such items as "Russell grader," "Freight on Russell grader," etc. The Form 21-j record should carry a full description of the equipment including motor numbers, etc., so that it may be properly identified in the future.

Depreciation on equipment costing \$100 or more will be calculated for each piece of equipment on the basis of use and functional depreciation. It must be determined by knowledge of the condition of equipment in each case, and experience as to its probable length of life under the conditions which surround its use. Abandonments and sales will be treated in the same manner as prescribed for improvements.

*Equipment Costing Less Than \$100*—Equipment and property of this class as appraised from the property records, Forms 331, will be summarized and set up on Form 21-j under the accounts, "Fire Equipment, Small," "Road and Trail Equipment, Small" and "General Equipment, Small." No accrued depreciation will be shown for such equipment, its original cost being given as its "Present Value." Property purchased prior to the beginning of the fiscal year in which the cumulative record is initiated and which is carried on the property records as on hand will be posted to Forms 21-j as "Inventory, July 1, .....". The total value assigned to the equipment on each property card should be shown in the right-hand column on the card opposite the last item on the card. Past outlays for freight on such property may be disregarded. Thereafter, as such property is purchased and entered on the property cards, in accordance with the regular procedure for recording semi-expendable and non-expendable property, the "Total Value" column will be brought up to date, including freight charges, if any. The "Total Value" column will also be decreased by the value of property recorded as disposed of by transfer or on Form 858. At the close of the fiscal year the value of equipment costing less than \$100 to be posted on the cumulative investment record, Forms 21-j, will be taken from the activity expenditure records, the amounts for the various equipment accounts being the difference between the total amounts of the accounts and the values of equipment for which separate records are kept on individual Forms 21-j.

While depreciation is not ordinarily to be applied to equipment costing less than \$100 the present value of such property as a whole, (except that for which separate Forms 21-j are kept) will be maintained by considering the cost value of all property lost, condemned and destroyed as being the amount of depreciation. At the end of the fiscal year Forms 858's and memoranda covering such transactions should



be summarized and entered in the "Depreciation" columns on Forms 21-j, the "Cost to Date" and "Present Value" being decreased accordingly.

### *Transfer of Equipment*

The cost value of all property disposed of by transfer during the year will be entered in the appropriate column and deducted from the "Total to Date" column on Forms 21-j. In the case of equipment costing \$100 or more, or other equipment for which individual records are kept, the "Present Value" of the equipment will be reduced to nothing. In the case of other equipment, the original cost as indicated by the property record cards will be deducted from the "Present Value" as well as the "Total to Date," column. If the exact original cost is not ascertainable for the particular items from the property cards, the average value will be used. Property received from or transferred to other units will be taken upon Form 21-j currently or by summarization at the end of the fiscal year, as increasing or decreasing the "Cost" and "Present Value." Forms 939 involving transfers should show the "Present Value" of property transferred, and in the case of equipment costing \$100 or more, the year purchased and original cost also, to enable the other unit to set up the appropriate investment record.

*Stores Account*—The cumulative record of Stores Account will be kept on Form 21-j. The record will include as stores only the cost of such supplies and equipment as may be purchased and stocked for future distribution.

In initiating the Investment record the value of stock on hand as shown by the Central Purchase Unit's books at the beginning of the fiscal year in which the cost accounting system is installed for Activity Costs and Investments should be entered on Form 21-j. At the end of the fiscal year this amount will be increased or decreased by the net difference between purchases and distribution. If any stock is acquired by transfer, (for example, from the War Department) the appraised value thereof, minus the costs incident to procurement, (freight, drayage, etc.) will be taken up as an increase in the stores investment.

No recognition will be given here to differences between the physical inventory and the book value of goods on hand, it being assumed that such differences will be taken care of through adjustment of handling charges.

### *Deferred Charges*

In initiating the record, deferred charges for prior accounting periods will usually be disregarded as it is not likely that any accounting data is available pertaining to them. After the new cost-accounting system is placed in effect, at the close of the fiscal year after "Total Forest Expenditures" have been entered on the activity expenditure sheets and the conversion of them into activity costs is undertaken, the

amount of deferred charges should be deducted by red ink entry from each expense account containing such charges. The amount of such charges should be entered in a blank column on the activity expenditure record sheets or supplemental sheets by classes of deferred charges, as "Marking Timber," "Material and Supplies," etc., so that they may ultimately be included in total activity costs in the annual statement as deferred charges. At the same time such deferred charges should be entered on Forms 21-j and carried by such headings and explanations as will enable the charges to be allocated to the proper expense accounts in the subsequent period or periods to which such charges belong. In writing deferred charges into current costs of subsequent periods, the amount written off will be entered in columns No. 3 (a) and 5 (b) and deducted from "Total to Date" and "Present Value."

### *Conversion of Activity Expenditures to Activity Costs*

The various steps necessary to convert the activity expenditures to activity costs at the close of the fiscal year are as follows:

- (1) Application of depreciation on equipment to expense and other accounts properly chargeable therewith.
- (2) Application of depreciation on improvements and other investments to expense accounts and other accounts to receive such charges.
- (3) Distribution of improvement maintenance charges.
- (4) Separation of deferred charges from current expense accounts and bringing into current costs deferred charges from previous period or periods.
- (5) Bringing accrued charges, if any, into current costs.
- (6) Other adjustments.

Journal vouchers (Form 21-h) will be prepared covering the above transactions and they will constitute permanent records of the adjustments, etc., made in arriving at Activity Costs for the fiscal year.

The use of Form 21-h is illustrated in the following example:



DATE	ACCOUNT TITLE AND EXPLANATIONS	DEBIT	CREDIT
July 31	Distribution of Depreciation on Fire Equipment		
	39—Presuppression	384.97	
	40—Fire Suppression	21.01	
	Equipment Fire (Large)		405.98
	<hr/>		
	Distribution of Maintenance Charges to activities. (Excludes charges to Maintenance, Forest Highways)		
	2—Timber Sales	600.00	
	3—Forest Product Sales	25.00	
	4—Timber, Non-Revenue	5.00	
	5—Grazing, C. & H. Rev.	35.00	
	6— “ S. & G. “	37.00	
	7— “ Non-Rev.	3.00	
	9—Fish, Game, Non-Rev.	18.00	
	10—Uses, Rev.	75.00	
	11— “ Non-Rev.	50.00	
	12—Recreation, Non-Rev.	10.00	
	14—Land Adjustments	5.00	
	38—Fire Prevention	300.00	
	39—Presuppression	500.00	
	40—Fire Suppression	250.00	
	47—Research S. & P.	15.00	
	Maint. Roads F. Dev.		800.00
	Maint. Trails		100.00
	Maint. Hdqrs. Imps.		900.00
	Maint. Other Imps.		128.00

In the above example the credit to Equipment Fire (Large) in the first entry is the sum of depreciation taken on the various equipment items under that heading. The offset debits represent the distribution of the depreciation charges to activities; these charges will be posted as adjustments to the proper accounts on forms 21-i in black ink. The second entry covers distribution of maintenance charges to other activities. The credit items represent the total fiscal year charges to maintenance as shown and both debit and credit items will be posted to the proper accounts on forms 21-i, in arriving at Activity Costs, debit entries in black and credit entries in red ink.

Since nurseries expenditures are carried separately from forest ex-

penditures in the activity expenditures, depreciation on nursery equipment and improvements and maintenance of nursery improvements may be allocated directly to "Nurseries." No other depreciation or maintenance charges will be charged to Nurseries.

*Application of Equipment Depreciation*—The depreciation of Road and Trail equipment costing \$100 or more while classified as General Equipment will be allocated directly to the maintenance and construction or other projects on which used during the year when practicable. Likewise, depreciation on other classes of equipment costing \$100 or more will be allocated directly to the activities and projects used on, no charges, however, being made to equipment accounts. Thus depreciation on fire equipment will be charged to the fire protection activities. Depreciation on equipment used on all activities and classed as "General" will be included with the depreciation on other equipment, costing less than \$100 classed as "General" for general proration.

The loss in value of equipment costing less than \$100 will be tabulated from Forms 858 and memoranda covering losses of such equipment by activities and projects on which such equipment was used up or lost. When the loss is not attributable to any particular activity or project, it will be classed as "General" and included with the depreciation of this kind on equipment costing \$100 or more, for general proration to activities properly chargeable, the proration being made to activities as for depreciation on improvements. Forms 858 when prepared should show on what work or project the equipment was being used when lost, broken beyond repair or otherwise used up. When not in use at time of loss, no particular activity or project can be given and it should be designated for "General" distribution. The amounts of depreciation on equipment as calculated for various activities and projects should be entered on the activity expenditure records under the appropriate accounts and projects as "Depreciation—Equipment."

*Application of Depreciation on Improvements and Other Investments*—The depreciation on improvements and other investments will be tabulated according to the resource classification as shown in the upper right-hand corner of the record. Under each resource classification the depreciation on individual improvements will be grouped according to particular activities directly affected. For instance on Improvements in the Resource Class "Timber," there may be depreciation on "Reforestation" improvements, which should be applied directly to "Reforestation;" under the Resource Class "Grazing" there may be depreciation on certain range improvements that apply particularly to Grazing, C. & H., Revenue; also under "Grazing" the write-off of Grazing Surveys and Plans may apply wholly to Grazing, C. & H., Revenue. All such instances should be separated or grouped for direct application to the accounts directly affected, the write-off on "Other



Investments” being grouped separately from depreciation on improvements. In other instances, investments classified under one heading, as Grazing, or Timber, etc., may apply to several accounts pertaining to that resource, in which event the depreciation so grouped will be prorated to the accounts affected on the basis of the hours worked on such activities as shown on summary Form 34 and in accordance with which General Overhead expenditures were prorated in obtaining activity expenditures.

All depreciation appearing on the tabulation for general proration will be distributed to all activities except the following:

Maintenance of improvements, other than Maintenance of Forest Highways, which will receive depreciation.

Investment accounts, other than Reforestation and Acquisition accounts, which will receive depreciation.

Equipment Accounts.

The depreciation classified as General will be distributed in the same manner as General Overhead was distributed on summary Form 34 in obtaining activity expenditures, but using only the hours on the activities to which the depreciation is to be applied to obtain total hours and an hourly rate.

Under this procedure improvements and projects which are themselves later to be depreciated or distributed to other accounts will receive no depreciation charges on either equipment or improvements by general proration. Such improvements including maintenance and construction projects may, however, receive depreciation charges on equipment and improvements where the charges may be allocated directly to them. For instance, in the case of loss of equipment or using up of equipment on an improvement, maintenance or construction project, such loss would be allocated to the project even though such project would later perhaps in turn be depreciated or distributed; and depreciation on a building used exclusively in connection with road construction projects may have such depreciation charged directly to the roads constructed.

After depreciation has been completely tabulated and the amount of the distribution to the various activities and projects ascertained, an entry should be made on the activity expenditure records, “Depreciation, Improvements,” and the charges taken up under the appropriate accounts and projects. A separate entry should be made for the write-off on investment other than improvements under the title of “Depreciation—Other Investments.”

*Application of Improvement Maintenance Costs*—Maintenance of improvements will be distributed in the same manner as General depreciation and to the same accounts, except that Maintenance of Roads, Forest Highway, will not be distributed. If expansion accounts have

been kept for maintenance of improvements pertaining to particular accounts, such maintenance charges should be allocated directly. For instance, under the major activity, Maintenance of Other Improvements, accounts may have been kept for "Maintenance of Public Service Improvements," "Maintenance of Range Improvements," "Maintenance of Fire Protection Improvements," etc., in which event such charges may be allocated directly to Recreation, Non-revenue, Grazing accounts, and Fire Protection accounts, respectively. When the distribution has been calculated, entry will be made on the activity expenditure sheets, as "Maintenance of Improvements Charges," and the amounts entered under the appropriate accounts and projects, at the same time entering the amount of the distribution in red ink in the Maintenance of Improvements columns on the activity expenditure sheets, clearing those accounts.

*Application of Deferred Charges*—Deferred Charges will be eliminated from current expense accounts, as previously outlined, at the close of the fiscal year. The amount of previously deferred charges to be brought into the current costs from the record as maintained on Forms 21-j should be determined and allocated to the expense accounts properly chargeable therewith. Entry should be on the activity expenditure sheets as, "Charges previously deferred."

*Other Adjustments*—Other adjustments that will need to be made will vary with different forests. Such items as investments in lands acquired through exchange of timber for land should not be overlooked. The value of the timber as shown by the exchange reports should be taken up on the activity expenditure records as an additional cost of the investment in the land acquired. This should be taken up in the year in which title to the land is actually acquired.

Improvements constructed under Reg. G-15 and G-16, in which grazing receipts are applied annually for liquidating the costs of such improvements should be taken up at full cost on Form 21-j and the activity expenditure sheets, the amount unliquidated being shown on Form 21-j under the "Cooperation" column. Improvements acquired without cost which will be maintained and used will also be taken up on the activity expenditure and cost sheets and on Form 21-j.

The regional office may have chargebacks of depreciation on equipment and other investments at the close of the fiscal year which it will be necessary to take up as a part of the forest activity costs. For instance, losses of regional office fire equipment will be charged back to the forests, and depreciation on road and other equipment that may be allocated to forest activities and projects. Depreciation on equipment concerned in improvement construction work, should not be charged back to forests unless the projects affected can be charged directly. Regional office chargebacks of the above character should be taken up on the activity expenditure sheets as "Regional Office Chargebacks,



Depreciation.”

*Protection*—Until such time as a satisfactory method may be devised for distributing protection costs to resource accounts and to investment and expense, no distribution of such charges will be made.

When all required adjustments have been made in order to convert the activity expenditures to activity costs and investments, the various account columns on the activity expenditure sheets will be totaled and “Total Activity Costs and Investments” brought down. The value of investments as shown will be posted to the proper Forms 21-j. It should also be ascertained that the total investments as shown on the activity expenditure records agree with the totals taken up in the cumulative investment records for the fiscal year.

## STATEMENTS OF ACTIVITY COSTS AND INVESTMENTS FORESTS

### *Activity Cost Statement*

After all necessary adjustments have been made in the activity expenditure and cost records a transcript of the record will be made on Form 43-c, showing for each activity, except maintenance accounts which were eliminated by distribution, Expenditures, Depreciation Costs, Maintenance Costs, Other Adjustments (net), and Total Forest Costs. In the column “Adjustments” will be shown the net adjustments, plus or minus, resulting from such adjustments as Transfer of equipment purchased within the current year, to another unit, Inter-forest transfers of costs, R. O. Chargebacks affecting Costs and Deferred Charges, which may have been entered on Forms 21-i in arriving at Activity Costs. The report will be submitted in duplicate to the Regional Forester, who will forward one copy to the Washington Office after it has been checked and verified. A similar report will be prepared for nurseries.

In taking up income on Form 43-c, Activity Cost Statement, in the case of Timber Sales and Forest Products Sales, the value of timber cut or products disposed of during the fiscal year as shown on “Report of Timber Cut and Sold,” should be used instead of receipts as shown by the receipts records. To the values as shown on the report of timber cut and sold should be added the value of stumpage cut under land exchange agreements. Grazing receipts for the fiscal year will be used as representing the income from grazing, to which should be added receipts applied to the construction of improvements under Regulation G-15 and G-16. Fiscal year receipts for Uses will be used as representing the income from Uses. “Miscellaneous income,” represents sale, loss or damage of Government property as shown by the receipts register.

It will be noted that gross income as represented by actual timber

cut, etc., including timber cut under land exchange, is to be used here instead of the "Net" current fiscal year receipts as was the case in preparation of the "Activity Expenditure Statement," Form 43. The reason for this is as follows: In the case of Form 43, the information sought on the front thereof is actual expenditures compared with actual receipts during the accounting period, whereas, in the case of Form 43 (c) the information sought is a comparison of total costs including depreciation with gross income as represented by the value of commodities disposed of.

The reconciliation statement should be prepared according to the outline shown on the reverse side of Form 43-c, as a check on the accuracy of the compilation. The Activity unit costs will also be computed as in the case of activity unit expenditures, using activity costs as the basis instead of activity expenditures. Activity costs as used here will include Accounts No. 2 to No. 14 and No. 38 to No. 41. The maintenance shown in column 2 of Form 43-c will equal the sum of total expenditure for accounts Nos. 15, 16, 18, and 19 as shown on Form 43, plus the amount charged direct to Maintenance for depreciation on equipment used on Maintenance projects.

### *Investment Statement*

The investment Statement, Form 43-d, will also be prepared in duplicate, for the forest and nursery separately and copy furnished the Washington Office. This statement is a summarization of Forms 21-j, Investment and Depreciation Record. In addition to making the summarization in accordance with the columns provided on Form 43-d, there should also be shown by footnote the unliquidated costs of Regulations G-15<sup>1</sup> (c) and G-16 improvements by classes of improvements. This information, which is to be summarized from the "Cooperation" column on Form 21-j involving G-15 and G-16 improvements will enable one to determine the net Service investment in range improvements.

The following instructions should be observed in preparing the Investment Statement:

The Statement is to include all investments carried on Forms 21-j, which are the property of the Forest Service, or in which it has an equity, as in the case of Reg. G-15 (c) improvements, and improvements acquired without cost which are used and maintained by the Forest Service.

For statistical purposes, improvements reportable by number will be included as an increase in number previously reported if construction or erection work was actually started during the fiscal year, but any costs incurred on a project even though construction was not actually started during the year will be included as an increase in costs of the class, but not as an increase in the number thereof. Where the



mile is the unit of construction, the number of miles constructed during the year will be included regardless of the state of completion of the project, fractional miles being given to the nearest whole number.

Additions to or betterment of existing improvements, reportable by number, should not be reported as adding to the number of such improvements on the forest, but costs thereof should be included. Also, only the cost of additional construction on or completion of unfinished projects, reportable by number which were started in a previous year should be included. Improvements reconstructed or replaced should be treated as new projects, the old projects being reported as abandoned, destroyed, etc.

The entries in column No. 1 of Form 43-d should equal the totals of columns 4-a and 4-b of the previous year's statement, as well as the total of all columns 3 (d) of the Forms 21-j as of the beginning of the fiscal year.

The total of the entries in column No. 2 are taken from current year *additions* in columns 3 (a), 3 (b), and 3 (c) of Form 21-j and should equal the "Total Investments," as shown on Form 43-c.

The total of column 3 should equal the total of all current year *deductions* as shown in column 3 (a) of Forms 21-j.

The entries in column 4 (a) should equal the total of the "Wholly Depreciated" projects shown on Forms 21-j which have been wholly depreciated and are still in use.

The entries in column 4 (b) should equal the total of live projects not wholly depreciated.

The sum of columns 4 (a) and 4 (b) should equal the total of all columns 3 (d) of Forms 21-j as of the close of the current year and should also equal the net sum of columns Nos. 1, 2, and 3 of the statement.

The total of column 5 should equal the total of column 8 of the preceding year's statement or the total of "Present Value" column 6 of the Forms 21-j as of the beginning of the current year.

The entries for columns 6 (a) and 6 (b) are taken from columns 5 (a) and 5 (b) of the Forms 21-j.

The entries in column No. 7 should equal the net increase or decrease of current changes resulting from sale or transfer.

The entries in column No. 8 are taken from the totals of column 6 of the Forms 21-j and should equal the net sum of columns 5, 2, 6 (a) and (b), and 7 of the Statement.

The entries for column 9 are taken from columns 3 (b) of the forms 21-j, the "current Fiscal Year" column showing current year changes and the "To date" column the cumulative totals.

## EXPERIMENT STATIONS, TAX INQUIRY, AND FOREST PRODUCTS LABORATORY

Form 43-c, Activity Cost Statement, will be submitted by experiment stations (including Regional Office research units, the Tax Inquiry Unit and the Forest Products Laboratory. To the activity expenditure statement figures will be added on Form 43 (c) the depreciation on equipment and improvements as shown on Form 21-j, Investment and Depreciation Record, which will be maintained in the same way as prescribed for forests. The Investment Statement, Form 43-d, will also be prepared by these units in the same manner as prescribed for forests.

### REGIONAL OFFICE

After the regional office has charged back depreciation on equipment to forests, the remaining depreciation on equipment will be distributed to regional office activities in the same manner as overhead charges were distributed in the activity expenditure records. A statement will then be prepared combining the forest activity costs and regional office costs on Form 43-e. This statement does not provide for showing the activity costs of each forest, but the costs of all forests are combined, and the regional office expenditures and depreciation costs added in the columns provided to obtain total regional costs. On the reverse of the form the unit activity costs for the region should be compiled. The activity costs for nurseries will also be combined on a separate Form 43-e for the region.

An investment statement will be prepared on Form 43-d for the Regional Office, which will cover only investments in equipment and stores, after Forest statements are received. An investment statement for the region will be prepared on the same form, in which regional office investments will be combined with forest investments. A combined statement of nursery investments and a combined statement for experiment station investments will also be prepared. The regional statement of investments will not show the investments of forests separately, but the information will be available on the forest's individual statements on Form 43-d.

### WASHINGTON OFFICE

When the activity cost and investment section of the cost-accounting system is undertaken service wide, the expenditures of the Washington Office will be distributed by activities and an investment record in equipment carried and depreciation applied thereto. When the activity cost and investment statements are received from the regions, the Washington Office will combine them in statements for the entire Service to which will be added Washington Office costs.



## ANALYSIS OF ACTIVITY COSTS AND INVESTMENTS

It is the policy of the Service that its business shall be transacted as economically as practicable consistent with the purposes for which the national forests were created. This does not mean necessarily that curtailment of expenditures is of prime importance. Rather, "economically" is here used in the sense that the relation between costs and the value of public benefits produced shall be the best obtainable under the existing conditions of Government management. This policy may result in increased expenditures in some instances as well as decreased expenditures in others. It is essentially a question of how and where funds shall be expended as well as how much.

The activity costs and investments, as presented in the cost-accounting records, are designed to assist in ascertaining to what extent Forest Service business is transacted economically and the factors of cost contributing thereto. For this purpose, all factors of cost are brought into consideration as nearly as practicable and allocated to periods in which the results from such costs accrue. For the cost-accounting records to render assistance in making progress in better financial management, it is necessary to analyze the various cost factors and investments to ascertain their effect individually on the ultimate results. Some of the characteristics of these analyses may be as follows: (1) To show the effect of managerial actions on economical administration, (2) To show the effect of past financial outlays on current costs, and (3) To show the relation between costs and results.

Some analyses may be made that have application to nearly all forests, regions, and the Service as a whole. Most forests, however, will have special conditions in which there is opportunity to apply special analyses, and this should be done. The activity costs and investment records can serve their highest use through study and analyses designed to establish fundamental relationships or comparisons that will influence future managerial actions directed toward economical administration. It will be the aim to develop and maintain for each unit of organization continuing records of analyses that are of distinctive value in maintaining sound financial management. The following are suggestions as to the kind of analyses of accounting data that may be made for this purpose. When practicable, each analysis should be recorded in graphic or curve form and arranged so that it may be added to each year:

1. Percentage that total maintenance and depreciation costs included in resource activity costs are of the total resource activity costs.

To show the effect of investments on costs. If maintenance and depreciation charges tend to increase more rapidly proportionately than other costs, consideration should be given to whether

additional investments giving rise to these costs may be unwarranted or maintenance work may be performed more economically.

2. Percentage that total costs of producing income, not including protection costs, are of total income produced.  
It is desirable that this relationship be as favorable as practicable. The effect of managerial actions directed toward economical administration, aside from protection costs, are reflected in this relationship and a continuous graphic record will show the extent of progress in improving it.
3. Percentage that cost of producing income for the several revenue-producing activities, i. e., Timber Sales, Forest Products Sales, Grazing, C. & H., Revenue, Grazing, S. & G., Revenue, Uses, Revenue, is of the income produced from these activities. Purpose is same as under number 2, but in greater detail so that it may be ascertained in which activities the relationship is most favorable and whether efforts directed toward particular activities have been effective.
4. Percentage (when such costs have been ascertained through expansion accounts) that cost of a function, i. e., marking timber, scaling, travel time, taking grazing applications, etc., is of the total cost of the major activity concerned and of the income from that activity.  
Purpose is same as under numbers 2 and 3, but in still greater detail, so that a closer check may be obtained or effect on costs of standards established.
5. Percentage that cost of General Overhead charged to more important activities is of the direct costs of such activities and of the income from them in the case of income producing activities. The more favorable relationship that can be maintained between these cost factors and between General Overhead costs and income, the more favorable relationship there will be between total costs and results produced.
6. Percentage that cost of maintenance and depreciation on classes of improvements is of the cost of such improvements.  
This percentage will indicate in a general way what similar costs will be on proposed improvements of the same class, and assist in determining whether they may be expected to produce results commensurate with such costs. A reasonable amount of interest on such investments should also be considered in this determination.
7. Comparison of the percentage that activity unit costs are of activity unit income with the volume, i. e., M feet cut, number of head grazed, etc.



This will indicate how and to what extent the relationship between costs and income is affected by volume of income-producing units, if the comparison is represented by two curves.

8. "Present Value" of the more important classes of improvements and investments by years. To indicate trend in such investments.
9. Comparison of purchases of equipment during the year with total depreciation of equipment.  
This will indicate extent to which investment in equipment is increasing or decreasing.

As indicated in the above examples, the analyses to be made will depend on the administrative result that is being sought. Such analyses permit of ascertaining which cost factors are in such an amount or of such a nature that the activities causing them may properly be subjected to administrative action that will obtain more favorable results. Assuming that there is the desire and plans for sound financial management, the cost accounting system is designed to furnish the necessary accounting information from which it may be judged whether sound financial management is actually being obtained and, if not, what the disturbing factors are.



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